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FINANCIAL TIMES

The morality of profits
Confusing individualism with selfishness
Samuel Brittan, Page 12

Depression
Locating genetic causes and cures
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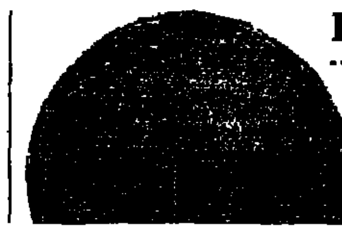


Heading east
Forging the new Silk Route
Page 13


The FT's five-part Christmas thriller starts on Saturday

World Business Newspaper http://www.FT.com THURSDAY DECEMBER 19 1996

Brussels seeks to suspend Burma's trade privileges

The European Commission set a precedent in bilateral trade relations by calling for suspension of Burma's trade privileges on the grounds that Rangoon's military regime sanctions the use of forced labour. The action marks the first time the European Union has linked trade and workers' rights. Manuel Marin, commissioner responsible for Asia, said the proposal was a "pioneer case". EU finance ministers are expected to endorse the decision, which requires a qualified majority in favour. Page 14; Editorial Comment, Page 13

Modified maize approved for Europe: *The European Commission approved genetically* modified maize, developed by Swiss chemicals group Ciba, clearing the way for the grain to be sold on EU markets. The decision was condemned by environmental and consumer groups. Page 14

Chip deal 'based on data error': A controversial US-Japanese semiconductor trade agreement signed at the end of July appears to have been negotiated on the basis of erroneous Japanese market share data. Page 8

De Beers to cancel Russian deal: De Beers of South Africa said it would terminate its $1.2bn a year diamond marketing agreement with Russia at the end of this month, severing a relationship that has lasted for 35 years. Page 15

Rao urged to quit as MPs' leader

Leaders of India's Congress party called for the resignation of embattled former prime minister P.V. Narasimha Rao (left) as the party's parliamentary leader. Mr Rao, 76, who has already resigned as party president, was said to be "considering" the move. He has been charged in three corruption cases, each of which carries a *maximum* seven-year jail sentence. He has denied wrongdoing in each case. Page 6

Bus bomb injures 12 soldiers: Twelve soldiers were hurt by a bus bomb in Lagos. It was the second such incident in Nigeria's commercial capital in a week. Page 4

SAP director quits: Hans-Werner Hector, a co-founder of German software company SAP, resigned from the company's supervisory board after a long-standing dispute with chairman Dietmar Hopp. Page 15

Moscow condemns Nato expansion: Russian defence minister Igor Rodionov attacked Nato expansion and said Moscow could retaliate if it goes ahead. Page 3

Ukraine clamps down on tax breaks: The Ukrainian parliament voted to withdraw tax breaks which have enabled charities helping victims of the Chernobyl disaster to become big importers of consumer goods. Page 3

Brussels blocks steel rescue plan: The European Commission blocked a BFr1.5bn ($47m) rescue package for the near-bankrupt Belgian steel company Forges de Clabecq, and told it to repay BFr700m of state aid, putting 1,700 jobs at risk. Page 2

Nomura subsidiaries to merge: The two asset management subsidiaries of Nomura Securities, Japan's leading stockbroker, are to merge in an attempt to improve competitiveness in the deregulation of the Tokyo financial markets. Page 15

Fast double-deck trains for SNCF: French state-owned rail company SNCF will introduce double-deck trains on high-speed services between Paris, Lyons and the south of France to increase passenger capacity by 40 per cent. Page 3

Workers destroy offices: Workers from a Sanyo factory in Thailand burnt to the ground the Japanese electrical goods company's Bangkok headquarters and a warehouse in protest at reduced end-of-year bonuses. Page 14

Captain's innings: Zimbabwe were 256 for six at the end of the first day of the first cricket Test against England at Bulawayo. The home side's captain, *Alistair Campbell, made the top* score of 84.

FT.com: *the FT web site provides online news,* comment and analysis at http://www.FT.com

STOCK MARKET INDICES

New York: lunchtime		
Dow Jones Ind Av	6,353.31	(+44.98)
NASDAQ Composite	1,282.38	(+16.06)
Europe and Far East		
CAC40	2,218.89	(+25.19)
DAX	2,820.75	(+5.62)
FTSE 100	4,018.2	(+38.5)
Nikkei	20,093.03	(-320.43)

US LUNCHTIME RATES

Federal Funds	$5\frac{11}{32}$%
3-mth Treas Bills: Yld	4.989%
Long Bond	$97\frac{7}{8}$
Yield	6.659%

OTHER RATES

UK: 3-mo Interbank	$6\frac{1}{32}$%	($6\frac{5}{32}$%)
UK: 10 yr Gilt	$98\frac{1}{32}$	($98\frac{7}{8}$)
France: 10 yr OAT	104.96	(104.74)
Germany: 10 yr Bund	102.57	(102.31)
Japan: 10 yr JGB	104.1498	(104.376)

NORTH SEA OIL (Argus)

Brent Dated	$23.88	(24.10)

GOLD

New York: Comex		
(Feb)	$371.3	(370.5)
London:		
close	$369.05	(369.20)

DOLLAR

New York: lunchtime		
£	1.672	
DM	1.5537	
FFr	5.2546	
SFr	1.332	
Y	113.70	
London:		
£	1.6725	(1.6729)
DM	1.5544	(1.5454)
FFr	5.2533	(5.2158)
SFr	1.3317	(1.3203)
Y	113.665	(113.765)
Tokyo close:	Y 113.39	

STERLING

DM	2.5998	(2.5853)

Albania	LEK 275	Gibraltar	£0.75	Lithuania	Lita18.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR13
Bahrain	Din1.300	Hong Kong	HK$20	Malta	Lm0.70	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft270	Morocco	MDh18	Slovak Rp	Sk75
Cyprus	C£1.30	Iceland	IKr260	Neth	Fl 4.75	S. Africa	R12.00
Czech Rp	Kč70	India	Rs75	Nigeria	Naira125	Spain	Pta250
Denmark	DKr20	Israel	Shk9.00	Norway	NKr22.00	Sweden	SKr20
Egypt	E£5.00	Italy	L3200	Oman	OR1.75	Switz	SFr3.70
Estonia	EKr 28	Japan	Y500	Pakistan	Rs60	Syria	S£80.00
Finland	FM18.00	Jordan	JD1.75	Poland	Zl 6.00	Tunisia	Din2.000
France	FFr12.00	Kuwait	Fils.750	Portugal (mTand)	Es265	Turkey	L120,000
Germany	DM4.00	Lebanon	L£500			UAE	Dh13.00

'Don't lift your head or it will be shot off'

Sally Bowen was at the reception when the attack began

It promised to be a routine diplomatic reception. By 8pm, several hundred guests at the Japanese ambassador's residence in Lima were sipping pisco sours – the favourite local tipple – and crowding round the sushi buffet.

Suddenly a heavy explosion, possibly caused by a rocket hitting an outside wall, stopped the small talk. Moments later, heavy gunfire started up close to the marquee where guests had gathered to celebrate Japanese emperor Akihito's birthday.

The guests dropped to the ground. For the next 40 minutes we lay terrified as heavily armed guerrillas stalked among us, brandishing automatic rifles pistols, shouting: "Don't lift your head or it'll be shot off."

The guerrillas, many in their early 20s, carried knapsacks filled with grenades. Their organisation – the Tupac Amaru Revolutionary Movement (MRTA) – had been widely written off since its founder-leader Victor Polay was captured in early 1992.

But Tuesday night's storming of the ambassador's residence, involving about 30 guerrillas, has destroyed the assumption that the MRTA is no longer a security threat.

Peruvian security forces seemed ill-prepared for the attack. The embassy compound had been full of security guards but Mr Morihisa Aoki, the Japanese ambassador, said the guerrillas had clambered over a back wall, where no guards had been posted.

Police were yelling orders to the guerrillas from the other side of the compund wall, but their instructions were inaudible. The guerrillas retorted by shooting at the police to find a megaphone.

Later, when the guerrillas were preparing to release women hostages, and a handful of elderly men, police launched tear-gas canisters into the compund.

The guerrillas had gas masks, but we hostages choked and spluttered for half an hour.

Before I was released with the other women hostages I was able to talk for 15 minutes with the guerrilla leader, who called himself Comandante Huerta at 43, the oldest of the militants.

He emphasised the MRTA's concern for Peru's poor and talked out about what he described as the movement's "martyrs".

The operation's prime aim, he said, was to secure the release from prison of MRTA militants in exchange for hostages. If the authorities refused to accede to MRTA demands, "everyone inside this embassy will die." he warned.

Asked why the Japanese embassy had been targeted, Comandante Huerta called it an "extreme measure in protest at the constant interference of the Japanese government, which has supported neo-liberal economic policies and violations of human rights".

Guerrillas storm Lima embassy

Ambassadors among 200 partygoers held hostage

By Sally Bowen in Lima

Peruvian guerrillas were yesterday holding at least 200 hostages at the Japanese ambassador's home in Lima after launching an armed attack on the compound on Tuesday night.

They threatened to kill the captives, starting with Mr Francisco Tudela, the country's foreign minister, though *they allowed one deadline to* pass without carrying out their threat.

The rebels were demanding to speak with Peru's President Alberto Fujimori, and said he could be the only mediator. They are demanding the release of jailed comrades.

Their hostages included the ambassadors of Japan, Austria, Germany, Brazil, Bolivia, Cuba, Venezuela, South Korea, Malaysia, Spain and Panama. Mr Rodolfo Munante Sanguineti, the agriculture minister, Japanese embassy staff, other diplomats and teams of top executives from Japanese companies, including Matsushita Peru and *Mitsui Mining* were also being held.

The guerrillas, from the Cuban-inspired Tupac Amaru Revolutionary Movement (MRTA), launched the attack at a cocktail party at the embassy to celebrate Japanese emperor Akihito's birthday. The women in the compound – about 170 in all – were released after a few hours, but no other hostages were subsequently let go.

A *hand-written* letter signed by Mr Tudela and many ambassadors and addressed to *the Peruvian authorities said* the atmosphere was increasing tense inside the compound "as a result of the lack of dialogue and the overcrowding".

"Tempers are getting frayed," the letter said.

By yesterday afternoon, no clear strategy had evolved for dealing with the crisis, and it appeared police and counter-*terrorist authorities* had been caught by surprise.

The Peruvian authorities *appeared to be awaiting a* negotiating team from Japan, expected to arrive late yesterday in *Lima*.

Mr Fujimori, who convened an emergency cabinet meeting, made no public statement.

Contacts between the guerrillas and the outside were being handled Mr Michel Minnig, the Red Cross representative in Lima.

In a warning of the dangers of an attempt to storm the *embassy, the letter said:* "The rooms in the house have numerous windows and glass doors which expose us to wounds from bullets and explosions."

Police foiled an apparent plan to attack the Peruvian congress late last year, and after a gun battle, arrested Ms *Lori Berenson, a 26-year-old* American woman, who was subsequently jailed.

One of the Marxist Tupac Amaru guerrillas who have been holding 200 hostages at the Japanese embassy in Lima, Peru

Yeltsin to favour Russian banks in telecoms sell-off

World Bank and IMF split on conditions for privatisation

By Nicholas Denton in London and Chrystia Freeland in Moscow

President Boris Yeltsin is set to decree terms for Russia's telecoms privatisation that will deter western investors and play into the hands of Russian banks which financed his re-election campaign.

The proposal is also driving a wedge between the World Bank, which is poised to cut its support for Russian tele*coms* privatisation, and the International Monetary Fund, which has indicated its lend*ing will continue unaffected.*

President Yeltsin, as well as confirming a merger of the *state's telecoms holdings, will* offer a 25 per cent stake in the combined giant to a single buyer for $1.2bn – 40 per cent below some valuations.

Although Mr Alfred Kokh, head of the state privatisation committee, said the tender would be open to foreigners, investment bankers said the conditions favoured Russian groups close to Mr Yeltsin, such as Most Bank and Alfa Bank.

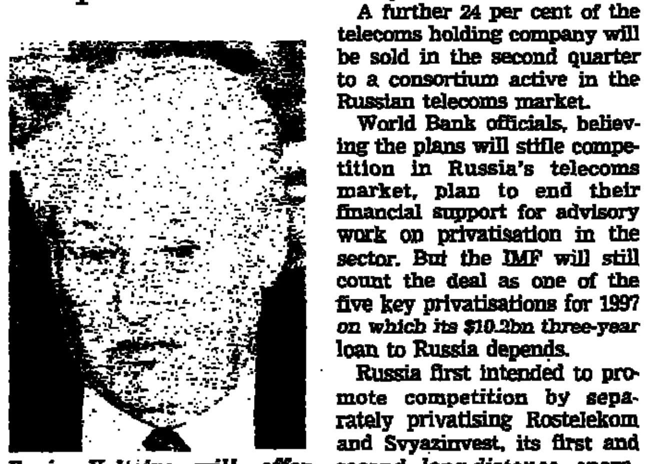
The January 15 deadline for bids gives foreign telecoms companies insufficient time to prepare thorough proposals. Another deterrent is the requirement for a $400m cash bond that can be retrieved *only after a month.*

The government also plans to demand that the winning consortium speeds up the payment of telephone bills – a condition that Russian banks with extensive branch networks are best placed to satisfy.

A further 24 per cent of the telecoms holding company will be sold in the second quarter to a consortium active in the Russian telecoms market.

World Bank officials, believing the plans will stifle competition in Russia's telecoms market, plan to end their financial support for advisory work on privatisation in the sector. But the IMF will still count the deal as one of the five key privatisations for 1997 *on which its $10.2bn three-year* loan to Russia depends.

Russia first intended to promote competition by separately privatising Rostelekom and Svyazinvest, its first and second long-distance operators. It then decided to combine the companies for what would have been Russia's largest international offering. But this month, citing national security, the government sacked NM Rothschild and the *other western* investment banks advising on the deal.



Boris Yeltsin: will offer telecoms stake for $1.2bn

BA to end link with USAir by selling 25% stake

By Michael Skapinker, Aerospace Correspondent

British Airways yesterday signalled the end of its acrimonious relationship with USAir by saying it intended to sell its 24.6 per cent stake.

The sale will bring an end to a four-year alliance which never fully lived up to BA's hopes. The tie-up became untenable when, in June, BA announced it planned a far-reaching co-operation and revenue-sharing agreement with American Airlines. The move prompted legal action *from USAir.*

The markets welcomed BA's announcement and its shares *rose 9½p to 601p.*

Analysts said the decision indicated the airline was confi*dent of winning regulatory* approval for the American deal. They also expected BA to receive more for the shares than the $400m it originally paid. BA said its three representatives on the USAir board would resign once the stake had been sold.

Mr Robert Ayling, BA's chief executive, said: "British Airways has taken this action with regret. But it has become inevitable. It would clearly be unwise to pursue an alliance with an unwilling partner.

"This has not been brought about by USAir's lawsuit. We still believe the legal action to be groundless."

USAir *also* welcomed *the* announcement but said it would not end its legal action.

It said: "This is an important first step that USAir has been seeking in order for it to become an effective independent competitor at London's Heathrow airport. USAir will continue all efforts to establish itself in the US-UK marketplace, including vigorously pursuing its law suit against BA and American Airlines."

USAir has applied to the US department of transportation to be allowed to operate flights between Heathrow and Boston, Charlotte, Philadelphia and Pittsburgh. Under the invest

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CONTENTS

NEWS: EUROPE

UK poll may curb Dutch ambitions

EU's next presidency fears crucial reform decisions will fall foul of May election deadline

By Gordon Cramb in Brussels

The Dutch government, which takes over the presidency of the European Union on January 1, is concerned that a British general election close to Mr John Major's May deadline will prevent it from reaching crucial decisions on reforming EU structures and the final shape of economic and monetary union.

Mr Hans van Mierlo, Dutch foreign minister, yesterday stressed the scale of the work which remained to be done following last weekend's Dublin summit. "Our presidential ambition is to complete the inter-governmental conference [on the EU's future direction] during the Dutch presidency, and actually to produce a result," he said in Brussels. "Is this biting off too much? Maybe. But we have no alternative."

The result of the British election was less important than the tenor of debate over Europe during the campaign, he said. But he warned: "If the UK maintains all its current positions, it will not be easy to come up with any substantive treaty. If this can be done after the election remains a question."

Van Mierlo: aim is to complete the inter-governmental conference and actually to produce a result. Marco Sweering

He said the Dutch were "pinning our hopes on there still being some room for negotiations" before the Netherlands' six-month term culminates in an Amsterdam summit next June.

Mr Van Mierlo said he wanted informal talks resumed by mid-January on institutional issues raised by EU enlargement, such as veto rights and the composition of the European Commission. He hoped the Dutch presidency would be "tangible proof" that smaller member states could continue to play a leading role in running the Union.

The Maastricht treaty was the result the last time the Dutch were in the chair – but it was achieved after upheavals which at an early stage in its 1991 tenure left The Hague all but friendless.

Dutch domestic politics may also provide a trickier counterpoint this time around: any mishaps will provide immediate ammunition not only for the Christian Democrat CDA, which for two years has endured an unaccustomed spell in opposition, but also for Mr Van Mierlo's critics within the three-party coalition government.

Few expect Mr Frits Bolkestein, combative parliamentary leader of the free market VVD, to quell for the duration of the presidency either his Eurosceptic pronouncements or his attacks on The Hague's own ministerial policy handling.

With the VVD ahead in the opinion polls, his sights are on a general election due in 1998 in which the VVD is seeking to establish primacy over the social democratic PvdA of Mr Wim Kok, the prime minister, or Mr Van Mierlo's reformist D66.

The foreign minister, known for his keen judgment of timing and mood but also for recurrent lapses in attention to his brief, will have to tread carefully at home as well as on the EU stage. Lack of co-ordination among the foreign, health and justice ministries was identified both by Mr Bolkestein and independent commentators as contributing to the past month's renewed Franco-Dutch difficulties over drugs policy.

A belated scramble enabled The Hague to stave off any immediate threat to the country's coffee shops in which the sale of cannabis, officially illegal, is tolerated.

But President Jacques Chirac took to the weekend Dublin summit his vigorous objections to the "drug tourism" this creates within the EU's increasingly open borders.

Mr Chirac was able to come away with an accord which, while falling short of his demands, requires "substantial tightening" of EU stipulations on combating use of illicit drugs. This forms part of the work programme the Netherlands presidency will inherit. Mr Van Mierlo expressed satisfaction with the Dublin outcome on drugs.

In the run-up to Maastricht an overconfident team cast aside the plans laid by its predecessor, Luxembourg, and put in place proposals of its own – an agenda promptly rejected by all other member states except Belgium.

That day is still referred to in The Hague, with contrition, as Black Monday. This time, minds are concentrated on what is needed to secure agreement on a Treaty of Amsterdam. Otherwise the honour of hosting the next of the Union's framing accords will pass to the subsequent presidency - and it is Luxembourg which takes up the reins in July

Brussels bars Belgian steel rescue plan

By Neil Buckley and Emma Tucker in Brussels

The European Commission has blocked a BFr1.5bn ($47m) rescue package for the near-bankrupt Belgian steel company Forges de Clabecq, and ordered it to repay BFr700m of state aid already received, putting 1,700 jobs in jeopardy.

The decision is a severe blow to the steel industry of Wallonia, Belgium's French-speaking southern half, where two other steelmakers, Cockerill-Sambre and Usines Gustave Boël, are also suffering from overcapacity and falling world prices. Both have said they have no interest in rescuing any part of Forges de Clabecq.

Mr Karel Van Miert, the EU competition commissioner, said Clabecq was "technically bankrupt" before the Walloon region, which owns 40 per cent of the company, started its aid programme. Clabecq's long-term viability in its present form could not be assured even with a much bigger capital injection. Shares in Clabecq closed at BFr83 yesterday, a fall of BFr7 on the day.

The Clabecq decision was one of several announced by Mr Van Miert yesterday after the Commission's last meeting of the year.

At a press conference he gave a strong hint that he was unlikely to approve the 28 per cent stake taken in the UK conglomerate Lonrho, by the South African mining group Anglo American, into which Brussels announced a detailed merger investigation this week.

He said the Commission's analysis of the platinum market earlier this year was still valid. This suggested that any move by Anglo to take control of Lonrho would be anti-competitive.

He also formally announced an inquiry into Fr11bn ($2.1bn) of government aid to Thomson, the French state-owned defence and consumer electronics holding company, as a sweetener ahead of privatisation. The Commission is looking, too, at the possibility that the French state paid an excessively high price to Thomson for its shares in Crédit Lyonnais.

Brussels has also agreed to give the Italian authorities a further six months to reduce the debt of Iri, the giant state holding company, but only in return for a number of commitments. These include privatisation of the Autostrade, the motorways concession, and the Finmare shipping interests. The government must also privatise Seat, part of the Stet telecoms group, early next year for L3,200bn ($2.1bn).

Mr Van Miert has also decided to step up pressure on the Spanish authorities to compensate the country's second GSM mobile phone operator for a Pta85bn ($650m) fee it had to pay to be allowed to operate. The same fee did not apply to Telefónica, the public operator, which was granted its GSM licence free of charge.

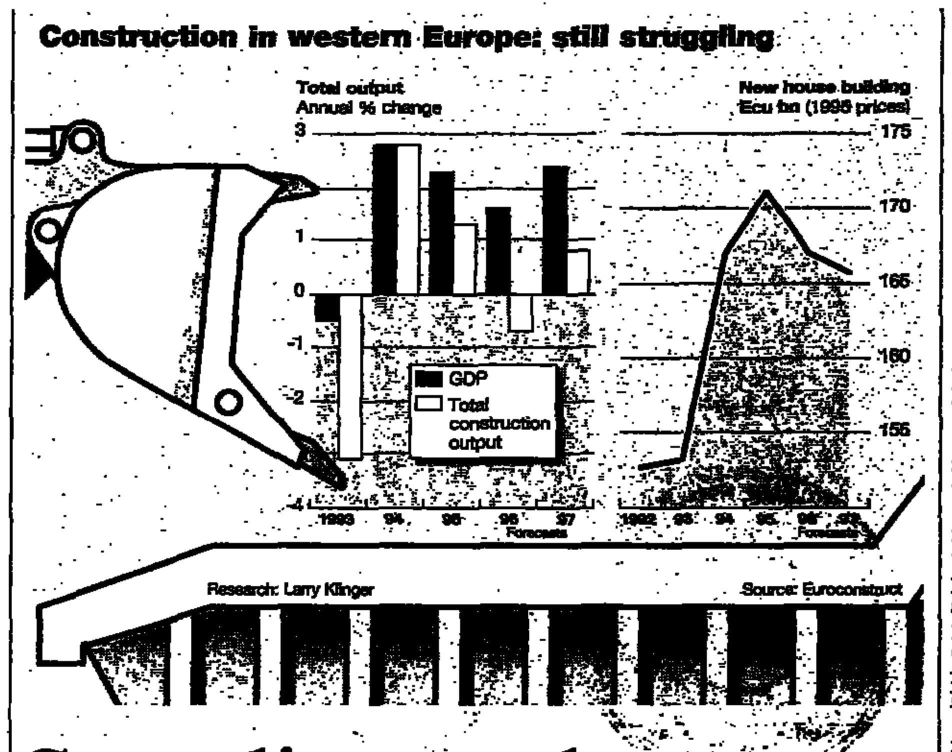
"In spite of all our efforts, no agreement has been reached between the Commission and the Spanish authorities on the level of compensation to be paid," said Mr Van Miert.

Similar problems in Belgium and Italy were resolved either by asking the incumbent operator to pay the same fee, or to produce a package of compensatory measures for the competing GSM operator.

The Commission has given Madrid three months to come up with a solution that would allow the two operators to offer services under equal conditions.

It has also decided the ceiling on shipbuilding aid next year will be maintained at 9 per cent of total contract value for large vessels and 4.5 per cent for smaller vessels and conversions.

Construction in western Europe: still struggling



Research: Larry Klinger Source: Euroconstruct

Spending curbs set to slow building growth

By Andrew Taylor, Construction Correspondent

Efforts to curb public spending across western Europe are forecast to restrain growth in construction output next year. A rise of only 0.8 per cent is expected, well under half the predicted general economic growth rate for the region.

This follows a 0.7 per cent decline in construction this year, according to EuroConstruct*, a federation of industry and economic forecasting bodies from 15 countries. It expects gross domestic product to go up by 2.4 per cent across the region next year, following 1.6 per cent this year.

Efforts by governments to satisfy the criteria for European monetary union are thought likely to restrict construction output in several areas.

Removal or reduction of housing subsidies in some countries means that new house-building should fall by 2.5 per cent this year and a further 0.8 per cent next. Public investment in non-residential buildings, such as schools, universities, hospitals, administrative offices and sport and leisure facilities, is also forecast to fall – by 3.9 per cent and 1.6 per cent over the same periods.

In Germany, which accounts for 28 per cent of both construction and GDP in western Europe, total building and civil engineering work is seen as likely to decline by 0.8 per cent next year after a drop this year of 3.5 per cent. Housing output, which rose by more than 30 per cent between 1992 and 1995 after the country's reunification, is forecast to fall by 4 per cent this year and a further 3 per cent in 1997.

Construction output in France is estimated to have declined by 3 per cent this year, and new house-building by 6.3 per cent. BIPE, the national industrial and economic research organisation, which is a member of EuroConstruct, foresees virtual stagnation in overall construction, with a rise of only 0.4 per cent, and a decline in new house-building by 1.2 per cent.

The picture is different in Britain and Italy, where construction activity is seen as rising by almost 2 per cent and 1.2 per cent respectively next year.

Bigger increases are expected in Scandinavia, where building and civil engineering markets are recovering after a torrid time in the early 1990s.

Construction output is also set to increase in countries benefiting from EU structural funds. A rise of 5.8 per cent is foreseen in Portugal and 4.9 per cent in Ireland.

Repair and maintenance are seen as the main growth areas for most countries. They are forecast to rise by 2.1 per next year, accounting more than a third of all the region's construction activity.

Industrial and commercial construction is also expected to rise by 1.4 per cent, still only half the rate of predicted GDP growth. According to EuroConstruct, technological advances mean that investment is shifting away from factories towards plant and equipment.

** European Construction Trends; £390 from CFR Ltd, Princes House, 39 Kingsway, London WC2B 6TP*

EU set to delay open post market

By Neil Buckley in Brussels

European Union postal ministers were last night heading towards agreement on postponing any significant opening of Europe's $75bn post market to competition until at least 2003.

The agreement would represent a victory for France, which is fiercely opposed to postal liberalisation and the architect of the limited compromise – President Jacques Chirac forced the special ministerial meeting to be held yesterday.

The European Commission reluctantly accepted the plan, which falls far short of its liberalisation proposals published 18 months ago. It pledged to use its powers to challenge national postal monopolies when it had complaints that these operated against the public interest. "A number of complaints have already been passed to the commission, and I expect more in the future," said Mr Karel Van Miert, competition commissioner. "We have to deal with those complaints."

Under a slightly amended version of a French plan which won backing from Germany last month, only the market for domestic letters weighing more than 350g or costing at least five times a standard stamp would initially be opened to competition. That represents only 2 per cent of the postal market by volume.

As previously agreed, member states could retain monopolies indefinitely for domestic letters below those limits, to guarantee maintenance of a "universal service" for ordinary letters to all EU citizens, even in remote areas.

Ministers would decide by January 2000 whether to open the other main categories – cross-border letters, accounting for 4 per cent of the market, and "direct mail", or advertising materials sent in bulk, accounting for 17.5 per cent. But these sectors could not be liberalised before January 1 2003.

The existing directive would, however, expire in 2005, forcing a decision then on further steps. The commission originally wanted cross-border and direct mail liberalised by 2001, subject to a review in 1998. But nine member states, led by France, preferred a more cautious approach.

The Franco-German plan, without the 2005 expiry date, fell just short of the necessary qualified majority among ministers on November 28. A decision by Austria to accept the modified plan seemed set to give it a majority last night, leaving only Britain, the Netherlands, Sweden, Finland and Denmark opposed.

Mr Chirac, who fears a backlash against postal liberalisation by the French unions and public, persuaded EU leaders at last weekend's Dublin summit to instruct ministers to reach a postal agreement before the year-end.

Deputy finance minister says revenue forecasts too optimistic

Russian warning of debt crisis

By Chrystia Freeland in Moscow

Russia, which last month made a successful $1bn eurobond debut, could face a debt crisis within two years, the top economist at the ministry of finance warned yesterday.

"The government is moving towards a debt crisis, that is towards a situation where internal savings are not enough to cover internal debt," Mr Oleg Vyugin, the deputy minister of finance, said at a conference in Moscow attended by senior government ministers and the chairman of the central bank.

"There is no such crisis today, but we can calculate that by December 1998 we may be able to speak of a debt crisis in Russia," Mr Vyugin said. The comments by Mr Vyugin, a respected economist, could unsettle the jittery domestic debt markets.

Mr Vyugin said the government would be unable within two years to service its ballooning domestic debt obligations if the current combination of high interest rates, low tax collection and economic decline continues.

He said the revenue forecasts in the government's draft budget for 1997, currently before parliament, were unrealistically optimistic. As a consequence, the government would again be unable to meet its spending obligations next year.

Mr Vyugin said that to avert the impending crisis the government should shift its borrowing policy to target interest rates rather than volumes, limiting new borrowing in an effort to push down rates.

Other government officials and business leaders agreed with Mr Vyugin's predictions in theory. But they said his warning was unlikely to raise serious concerns in the market because of the hope that the Russian economy will begin to grow next year and that interest rates will continue to come down. Both developments would improve the debt situation. "I think the risk of a crisis which he [Mr Vyugin] described is very, very hypothetical," Mr Sergei Aleksashenko, deputy governor of the central bank said.

Moscow traders interpreted the comments as a signal that the ministry of finance would continue its aggressive campaign to lower interest rates on domestic borrowing. Yesterday, 140-day government bonds were issued at an annualised rate of 39.96 per cent, down from levels of more than 200 per cent before Mr Boris Yeltsin's re-election as president in July.

Western investors seemed slightly less sanguine. "He's right in saying that if nothing changes, it is essentially a pyramid scheme and you cannot just keep issuing debt with such a high interest rate," one western Moscow-based fund manager said.

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EUROPEAN NEWS DIGEST

EU continues tobacco aid

The European Commission yesterday proposed changing the EU tobacco subsidy programme, but rejected calls to abolish it. Despite criticism that the subsidies compromise efforts to curb smoking-related deaths, Brussels said it was not prepared to put 200,000 tobacco-related workers out of jobs.

"Given that approximately 77 per cent of tobacco consumed in the EU is imported, the regime's abolition would merely lead to 100 per cent of EU tobacco demand being met by imports," it said.

Mr Padraig Flynn, social affairs commissioner, who has waged a campaign to phase out the more than $1bn a year in subsidies, was unhappy with the decision. However, he won support for a proposal to target aid on higher quality products, to offer buyouts to entice farmers away from tobacco and to double the 1 per cent levy on subsidies that finances an EU tobacco public health fund. Brussels will also propose that EU governments consider strengthening cigarette label warnings, reducing the tar and nicotine content of cigarettes, regulating additives and agreeing a code of practice on children's right to a smoke-free environment.

■ EU farming ministers agreed late on Tuesday to ban by 2006 the use of cramped crates for rearing calves over two months old. *Reuter, Brussels*

German parties agree levy cut

The parties of Chancellor Helmut Kohl's coalition agreed yesterday to cut by two percentage points the much hated solidarity surcharge in 1998. The levy is added to income and corporation tax bills to help finance eastern Germany.

The planned reduction from 7.5 per cent to 5.5 per cent represents a victory for the small Free Democrat party and will be announced formally today together with other elements of government plans for changing the country's income and corporation tax systems. *Peter Norman, Bonn*

Bulgarian bank censured

The Sofia city court yesterday ruled against the Bulgarian national bank's decision to seek the insolvency of First Private Bank (FPB), the country's biggest private bank. It rejected the claim that FBP was insolvent when the central bank put it in receivership in May. "FPB was capable to meet its dues to the central bank worth Lv3.8bn ($7.5m) but the latter had set insuperable obstacles by putting the bank in receivership, depriving it of the possibility to do so," the court said.

The central bank placed the FPB in receivership on May 17, dismissing its management and appointing sequestrators to establish its financial state. FPB was banned from extending credits, servicing payments and dealing in government securities. Two weeks later the central bank opened bankruptcy procedures. *Reuter, Sofia*

Court rules on Cyprus claim

The European Court of Human Rights ruled yesterday that Turkey had violated the rights of a Greek Cypriot who lost her land in northern Cyprus when Turkish troops invaded in 1974. In a widely watched case, the court dismissed Turkey's argument that the European human rights convention did not apply to its occupation of the north of the island since it had occurred before Ankara accepted its jurisdiction. Turkey was given six months to submit observations on Ms Loizidou's claim for "just satisfaction".

The court also rejected Turkey's contention that expropriation was legal under the constitution of northern Cyprus, an entity recognised only by Ankara, declaring that the Turkish army "exercised effective overall control there". *Reuter, Strasbourg*

Minister's daughter in probe

The stepdaughter of France's justice minister, Mr Jacques Toubon, has been put under formal investigation for abuse of corporate funds, and released on bail of FFr750,000 ($145,000) on condition she does not leave the country.

Mrs Sophie Deniau was made president of the Isola-2000 ski resort in the French Alps after it was bought in 1991 with a loan from a banking subsidiary of Crédit Lyonnais. A complaint by the bank appears to have triggered the investigation, which is alleged to centre on the ski station's heavy debts and the high life-style of its directors.

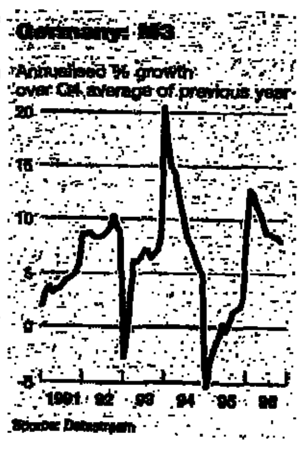
The investigation into his step-daughter's affairs comes at an awkward time for the minister, who is supposed to be following up President Jacques Chirac's call last week for a commission on judicial reform. One of the issues is the possibility of making France's judiciary independent from the political executive. *David Buchan, Paris*

Lisbon partial pay accord

Portugal's Socialist government has agreed with several unions on a 3 per cent public sector pay increase for 1997. However, the deal has been rejected by Communist-led unions representing more than two-thirds of public sector workers. The agreement, based on a government forecast of 2.25-2.5 per cent inflation, represents a slight increase in real wages. The government claimed that this was the best 1997 pay offer to public sector workers in the EU. But Communist-dominated unions had pressed for an increase of at least 4.5 per cent to bring the lowest public sector salary up to the national minimum wage of Esc54,600 ($350) a month. *Peter Wise, Lisbon*

ECONOMIC WATCH

Money growth tops target



German money supply growth last month continued to exceed the 1996 target range set by the Bundesbank. The central bank said M3 expanded at an annualised 8 per cent in November, against 8.4 per cent the previous month but compared with the 4-7 per cent target. The October figure was influenced by the Deutsche Telekom share issue, with funds parked in short-term deposits before the subscription period. The Bundesbank will today announce its M3 goal for 1997 and possibly also for 1998. While economists expect a similar or slightly lower target for next year, they are more interested in how far it will take account of Emu. With the D-Mark set to disappear in 1999 – if Emu starts punctually – the Bundesbank's monetary strategy will gain extra significance as it becomes clear which countries will join monetary union. The decision on Emu membership will be made early in 1998, so that the M3 target for that year will be seen in a European rather than a mainly German context. *Andrew Fisher, Frankfurt*

■ Spain's gross domestic product rose 0.5 per cent in the third quarter from the second, and was up 2.2 per cent from a year earlier. Second quarter GDP climbed 0.6 per cent from the first quarter, against its previous estimate of 0.5 per cent, and was up 2.0 per cent year-on-year compared to 1.9 per cent.

Ukraine parliament votes to withdraw trading privileges from Chernobyl charities

Kiev in tax break clampdown

By Matthew Kaminski in Kiev

The Ukrainian parliament has voted to withdraw the tax breaks which have enabled charities helping victims of the Chernobyl disaster to become major importers of consumer goods.

The measure, if signed into law, marks the *end of* a regime of tax breaks for official bodies – even for parliament itself, which was this year responsible for a quarter of the country's beer imports.

The country's market reform lobby has campaigned for an end to the trading privileges held by charities, *special funds* in the cabinet, the presidential administration and parliament, which officials said cost the budget 870m hryvnia ($465m) this year in lost revenue.

Under a law aimed at helping the 3m Ukrainians classified as *postradavshy* (injured) by the 1986 nuclear accident, the Chernobyl charities are exempt from value added tax and import duties – tobacco, alcohol and oil were removed from the exemption by a recent government ruling.

Mr Vladimir Shovkoshitny, president *of the International* Chernobyl Union, one of the main charities, which has 540,000 beneficiaries, said he had been counting on a turnover of $1bn in trading from four commercial arms next year. He said profits from trade – $1.2m this year – went to pay for health care and children's trips abroad.

The proposed removal of tax reliefs follows the recent abolition of benefits such as free bus travel and low-rent housing.

Mr Shovkoshitny said this time the government had gone too far. The group is planning protests over the proposed changes.

"They're trying to solve the country's economic problems at the cost of the indigent and sick, people who have a hard enough time trying to fend for their future," Mr Shovkoshitny said. "I wouldn't sit here unless every last cent we made went just for them."

An October *presidential* decree wiped out three decrees that exempted organisations set up by parliament, the presidential administration and the cabinet – for purposes described in vague terms as helping them "fulfil their work". Also exempt were groups such as *the Ukrainian Olympic Committee* and the Fund to Support Art and Culture, opened by former President Leonid Kravchuk after his 1994 electoral defeat.

Parliament has its own collective farm called Chaika (which means gull) – a legacy of the Soviet era that ensured parliamentarians had fresh vegetables for lunch. Chaika, which avoided 20 per cent VAT, this year accounted for a quarter of Ukraine's beer imports. Mr Serhei Tiriokhin, an MP who has fought the exemptions, said that after losing its tax breaks in October, parliament this month used a Chernobyl group to purchase $5m worth of *Italian* furniture for deputies' housing.

October's decree was never published in a newspaper, as it must be to be valid. Mr Victor Pynzanyk, a deputy prime minister, said it was being implemented anyway, yet western advisers are not convinced *the myriad system of lgoty* – loosely translated as benefits – can be dismantled quickly.

"There are so many exemptions that you can't honestly say they've got rid of all of them since the government does not really know what they all are," a western economist said. "But going after the Chernobyl groups shows they're serious about it."

Moscow attacks Nato expansion

By Bruce Clark in Brussels

Mr Igor Rodionov, the Russian defence minister, made a thundering attack on Nato expansion yesterday and re-affirmed Moscow's threats to retaliate if it goes ahead.

But the minister, who *delivered one of Moscow's* harshest messages to the alliance in months, confirmed Russia might withdraw its objections in return for a treaty formalising its relations with the alliance.

The Russian minister *unexpectedly refused to* endorse an agreement for Moscow and the alliance to exchange liaison officers. This step had been strongly advocated by the US as a confidence-building measure.

Nato expansion could bring "a return to the cold war which we struggled so hard to bring to an end," said Mr Rodionov.

'Strategic balance in Europe will be upset' – Rodionov

Moscow could be forced against its will to hit back *with "corresponding* measures" that would affect Nato "in the political, economic and military spheres".

"It is not excluded that Nato expansion will disrupt the functioning of existing treaties and the ratifications of new ones," he added, citing the Start-2 agreement on long-range nuclear arms which Russia's parliament has yet to endorse.

"Strategic balance in Europe will be upset," Mr *Rodionov told his counter*parts from the 16 Nato countries, who had earlier re-affirmed their intention to launch a swift enlargement process at a summit in Madrid next July.

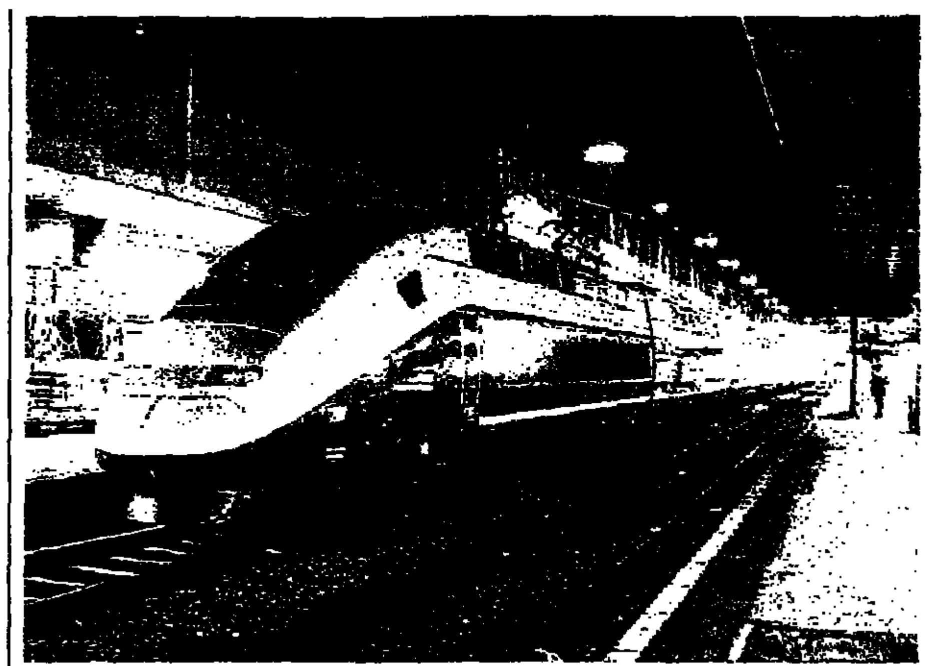
To soften the impact of enlargement, the alliance has also instructed Mr Javier Solana, the Nato sec*retary general, to start* talks with Russia about the possibility of a formal Nato-Russia treaty or charter, *ideally* by July.

Asked by Russian television whether a full-blooded Nato-Russia treaty might compensate Moscow for the blow it suffered as a result of an enlargement, Mr *Rodionov said: "Possibly."*

Mr William Perry, the US defence secretary, said after a stormy meeting between Mr Rodionov and his Nato counterparts that he was not sure what exactly the Madrid summit would decide to do in respect of enlargement.

Mr Perry said the Madrid summit faced difficult and *important decisions.* He added that he could not predict the outcome of debates in western *legislatures*, including the US senate, about whether to ratify enlargement.

US officials were at pains afterwards to stress that Mr Perry was merely noting the complexity of the enlarge*ment procedure, and he did* not intend to question Nato's commitment to take in new members.



On board: SNCF double-deck trains will meet demand for high-speed services

SNCF on the fast track with double-deck trains

By Charles Batchelor, Transport Correspondent

SNCF, the French state-owned rail company, will today introduce double-deck trains on high-speed rail services between Paris, Lyons and the south of France.

The Duplex *trains à grande vitesse* have become necessary to meet demand for high-speed services – some stations could not have coped with longer trains.

The 30 new trains can carry up to 516 passengers, 40 per cent more than the present trains and will have upgraded signalling. They *will increase* capacity on the Paris-Lyons route from 9,000 passengers an hour in each direction to 22,000. The trains will be introduced at the rate of one a month.

TGVs started running between Paris and Lyons in 1981 and rapidly captured 80 per cent of the market from the airlines. SNCF's south-east network now runs 150 TGVs a day and carries 17m passengers a year.

The trains cover the 426km between Paris and Lyons in two hours at speeds of up to 270kph – the line is being upgraded to allow speeds of 300kph. The trains cost FFr105m ($20m) each, 30 per cent more than a single-decker. Greater seating capacity and improved technology will mean a saving of 15 *per cent per seat on running* costs.

The designers have created more space in carriage interiors by lowering the carriage floor, raising the height of the carriages by 20cm and providing panoramic windows. Lightweight materials have been used to reduce damage to track, while electrical equipment which normally goes under the floor of each carriage has been placed under the bar-buffet in the centre of the eight-carriage trains.

The Paris-Lyons TGV achieved a return of 15 per cent and paid for itself within 10 years but lower than expected returns from other lines have forced SNCF to rethink its TGV master plan unveiled in 1990, *which foresaw the construc*tion of 16 new lines covering 4,700km. This network may not be completed until 2025.

Czech justice minister resigns after titles row

By Vincent Boland in Prague

In a country *as* status-conscious as the Czech Republic there are few sins greater than claiming qualifications that one does not possess. Mr Jan Kalvoda, the Czech justice minister and senior law officer, became the biggest casualty of a row over misuse of titles when he admitted on Tuesday that his Doctor of Law title was a fake, and resigned his ministerial post and his parliamentary seat.

His resignation is a severe headache for Mr Václav Klaus, the prime minister, and his fragile coalition. It could lead to a shift in the balance of power within the government, which is held together by a complex agreement setting out which of the three parties gets what posts.

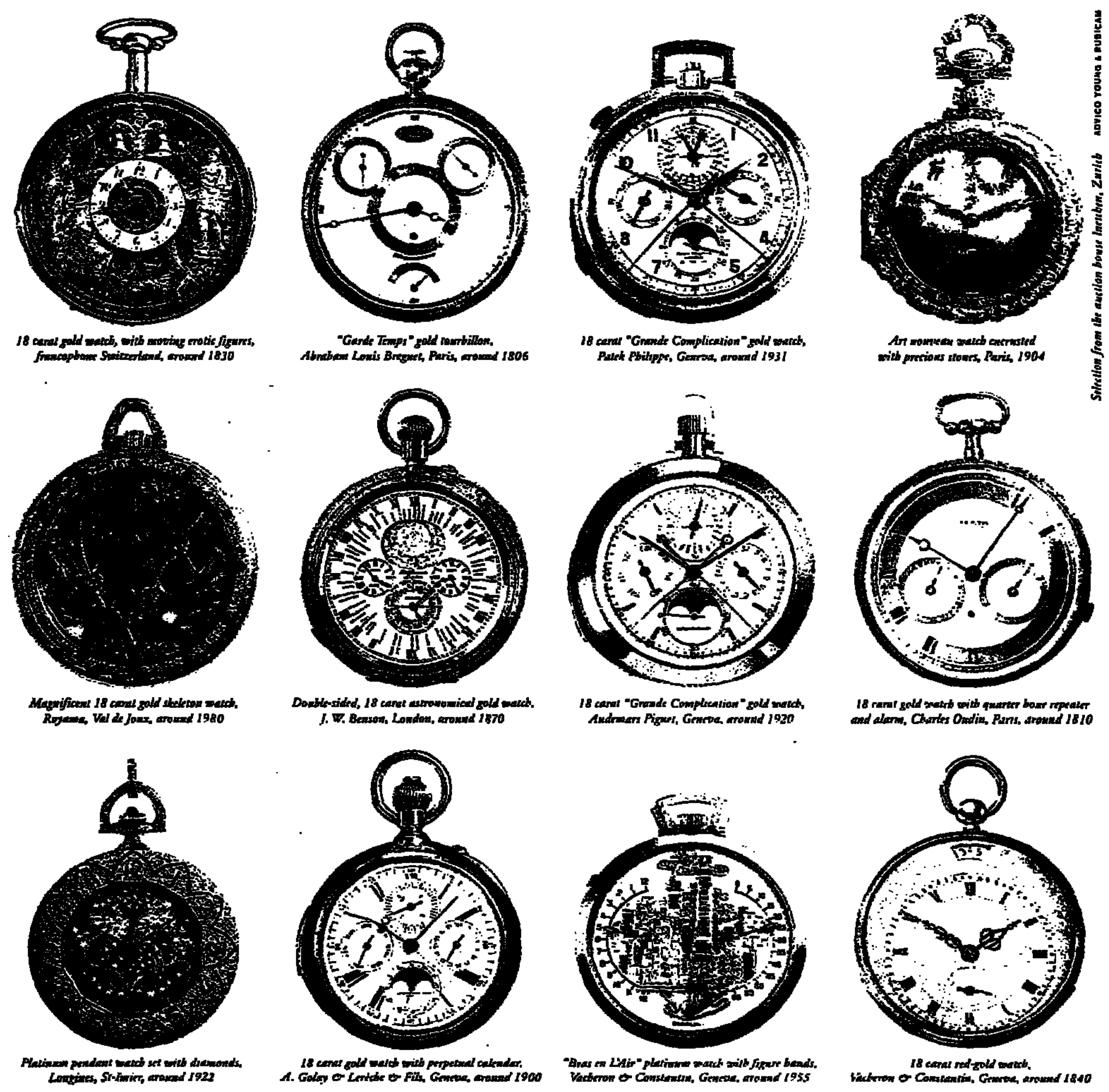
Mr Kalvoda, who in addition was a deputy prime minister, is likely to be removed as leader of the Civic Democratic Alliance (ODA), a junior coalition member. The ODA, which likes to stress integrity in government, was meeting last night to decide his fate, putting a damper on celebrations to mark its seventh birthday.

Mr Kalvoda's *sin was to* claim the title JUDr, one of the most prestigious designations of all in a country obsessed by the status endowed by educational qualifications. While he is a graduate of the law faculty *of Charles University he did* not sit the examination that would have allowed him to use that title. His appointment to the justice portfolio in June was hailed because he was seen as eminently qualified and had been an *effective advocate of judicial* reform. He was also regarded as unpompous and honourable. His fall came amid a continuing row over the misuse of the same title by four other MPs, only one *of whom has so far resigned.* There have been many allegations over fake qualifications recently after local newspapers uncovered the practice among candidates standing in last month's senate election.

However, suspicion had not fallen on Mr Kalvoda. There was speculation yesterday that "someone pushed him against a wall" and forced him out, as one commentator put it.

Mr Kalvoda told parliament on Tuesday *he regret*ted being "the next instalment of this soap opera". President Václav Havel asked him to reconsider his resignation to no avail.

If the ODA cannot put forward an acceptable candidate to replace Mr Kalvoda there could be a reshuffling of senior posts within the government, commentators said.



NEWS: INTERNATIONAL

Genuine technocrat takes over at UN

New top posting proves a 'great day for the sons of Africa', **Michael Littlejohns** reports

Mr Kofi Annan, who will lead the United Nations into the 21st century as its first secretary-general from sub-Saharan Africa, is assured of a hero's welcome when he returns briefly to his native Ghana today.

"Since Friday, the great news has traversed our deserts, our savannahs and our forests," said Mr Daniel Abibi, the Congo delegate who spoke for all the African members at Mr Annan's swearing-in."This is a great day for the sons of Africa."

Mr Annan has been gone from Africa so long that some of that continent's diplomats were said to have been slightly uneasy when he emerged last week as the clear favourite to succeed Mr Boutros Boutros Ghali. But any misgivings evaporated with the UN's recognition of Africa's claim to a second five-year term and the clear acknowledgment that the best candidate was its unanimous choice.

Mr Annan, 58, will take office on January 1. He is the first genuine technocrat among the seven secretary-generals. One observer said yesterday he was likely to be "more secretary and less general", the opposite of his austere predecessor.

Kofi Annan (centre) is congratulated by UN staff men after taking the oath of office as secretary-general *Picture by AP*

Educated in Ghana, the US and Switzerland, he began his career in international bureaucracy as a 24-year-old administrative officer at the World Health Organisation in Geneva.

Positions in the UN Refugee Agency and New York secretariat followed in a rapid ascent that took him to an under-secretary-generalship as head of the department of peace-keeping operations, widely recognised as one of the best run of all UN offices.

Last year, Mr Boutros Ghali transferred him to Sarajevo as his special representative, succeeding Mr Yasushi Akashi. Mr Annan was already being mentioned as a possible candidate to replace his boss who, at that time, had not said he wanted another term. The suspicion arose that the incumbent may have been getting a potential rival out of the way by despatching him to a political minefield.

In the event, he performed with great skill, presiding over the transfer of the failed UN mission to Nato troops. At the time, the plain-spoken Ghanaian said: "Looking back, we should all recall how we responded to the escalating horrors of the last four years. . . each of us must ask, what did I do? Could I have done more? . . . Above all, how would I react next time?"

In terms of UN operations such as that in Bosnia, there may be no next time, but the peace-keeping department is better managed now than ever before and better able to respond to any new emergency.

Much of Mr Annan's career has been spent in directing personnel, where he earned a reputation as a humane manager, readily accessible and deeply concerned with the problems of an international civil service that has been maligned, especially in the US.

Mr Annan was born in Kumasi in what was then the Gold Coast on April 8, 1938. His father, Henry, was paramount chief of the Fante people and elected governor of Ashanti Province. His twin sister, Efua, died in 1990.

His 88-year-old mother, Victoria, recalled last weekend that the young Kofi was a mischievous child who sometimes got into trouble, but always managed to get out of it.

The new UN chief was opposed initially by France; there has been speculation, vehemently denied, that in return for their eventual support the French would get one or more top UN jobs. Mr Annan speaks French well and delivered part of his acceptance speech in that language as well as fielding some questions in French at his first press conference yesterday.

As secretary-general, he faces formidable problems, not least persuading the US to pay its \$1.3bn (£787m) UN debt and raising the morale of a secretariat buffeted by down-sizing and charges of waste.

One of his first priorities may have to be public relations. He has promised to reach out to congressional critics who control Washington's purse strings.

Copyright treaties aim at Internet

By Frances Williams in Geneva

Three weeks of negotiations on two international treaties designed to extend copyright rules to the Internet have resolved most of the important disagreements, raising hopes that they will be ready for adoption by tomorrow's deadline.

However, the 128 countries involved in the talks were still struggling yesterday to settle their differences over the scope of exemptions from copyright obligations, the outcome of which is regarded by many as critical to the future development of the Internet.

Under the proposed treaties, prepared under the auspices of the World Intellectual Property Organisation, "temporary" copies of copyrighted material would be covered, even if the material was not downloaded into the user's computer.

The reason for this is to ensure copyright rules extend to material used on-line, for instance, listening to music called up from an electronic "jukebox" or using an accounting software package without permanent copies being made and kept.

But a wide array of telecommunications companies, software developers and network operators have objected that the proposed treaty language is too vague, potentially inhibiting new Internet developments such as the use of powerful "search engines" capable of visiting millions of Web sites in their hunt for information.

Another source of opposition has come from Internet operators, including big telecoms companies such as AT&T and MCI, and on-line service providers such as CompuServe and America Online, which fear they could be held liable for copyright infringements transmitted by their networks.

Iranian ties with Turkey grow

By John Barham in Ankara

President Hashemi Rafsanjani of Iran begins a four-day visit to Turkey today, despite Washington's concern over growing ties between Ankara and Tehran. Mr Necmettin Erbakan, Turkey's Islamist prime minister, paid a similar visit to Tehran recently.

Mr Nicholas Burns, State Department spokesman, said Turkey "ought to understand that Iran sponsors terrorism and tries to acquire nuclear weapons. All of us need to isolate Iran, not bring it back into the family of nations."

Mr Erbakan, who has been in power since July, has made rapprochement with Moslem countries a cornerstone of his foreign policy, in contrast with Turkey's traditionally pro-western alignment. Turkey's secularists are also anxious to resist any shift towards an Islamic foreign policy.

Trade will be an important item on Mr Rafsanjani's agenda. He said agreements aimed at raising annual trade from its current \$960m level to \$2bn would be signed.

Trade barriers may be eliminated. Turkey faces a serious energy shortage and wants to increase exports to Iran to offset growing energy imports. It is already buying electricity in Iran, and in August Mr Erbakan signed a \$23bn gas import agreement.

Turkey, a Nato member, has begun discussing defence industry co-operation with Iran in an attempt by Mr Erbakan to balance a defence agreement with Israel imposed on him by his secularist, pro-western defence chiefs.

Mr Erbakan aims to build a series of Islamic international institutions mirroring Nato, the European Union and the G7 group of rich western countries. He and his advisers see Iran as an important member of these organisations.

Nigerian troops hurt as security worsens

By Antony Goldman in Lagos

Twelve soldiers were injured in Lagos, Nigeria's commercial capital, yesterday when a bomb exploded as the bus in which they were travelling entered the regional administration's compound. "There was blood everywhere," said one bystander, "and nobody seemed to know what was going on or what to do."

It was the second such incident in the city in a week, sharpening an atmosphere of insecurity already high following a security alert by the US State Department. No group has claimed to have planted the devices.

In a statement issued on Tuesday, the US embassy in Lagos warned that it had received information "that bomb attacks may take place at Nigerian airports during the last two weeks of December," traditionally the busiest time of the year for airlines operating out of Lagos. It did not say where it had got the information.

Yesterday's bomb exploded within the Lagos state secretariat complex, 500 metres from the office of Colonel Muhammed Marwa, the state's administrator.

On Monday, Col Marwa emerged unscathed from an attack on a convoy in which he was travelling in the same part of the city in which three people were injured.

Police say they have arrested eight people in connection with the explosion.

Security officials blamed activists opposed to the military-led government for a spate of bomb attacks earlier this year.

State radio spoke yesterday of "aggressive agitators at home and abroad". Col Marwa is know to be close to Nigeria's head of state, General Sani Abacha.

It is unclear, however, whether such groups have the organisation or resources to strike at such a sensitive target. "It could be political," said one diplomat, "but it could equally be a disillusioned third force operating within the security establishment."

Gen Abacha's son and the wife of Chief Moshood Abiola, the imprisoned opposition leader, have both met violent deaths this year.

There is also speculation linking the bombings to efforts by Col Marwa to clean up the administration of Lagos, a rich city with many lucrative public contracts. Since his appointment four months ago, Col Marwa has offended entrenched interests with his enthusiasm for the restoration of discipline and probity to public administration.

Officials insist these latest attacks should be no cause for panic. "We have suspects under interrogation and vigilance is being stepped up. The public must be reassured," said one security agent.

The explosions, and the threat they may represent, are nevertheless a profound blow to a government that had seen opposition at home and abroad in its programme to restore Nigeria to civilian rule by 1998 beginning to dissipate.

In addition to his security concerns, Gen Abacha faces additional gloom over the economy, following disclosure on Tuesday by the Italian state-owned energy company, Enel, of its decision to cancel a long-term, \$15bn contract with Nigeria Liquefied Natural Gas.

LNG officials concede that the project, first floated in 1963, might never have received shareholders' approval without the deal.

They nevertheless insist construction of the \$4bn facility, due to enter production in three years, will continue while new customers are sought in Europe and the Far East.

They are also confident of winning substantial compensation from Enel through an arbitration panel in Switzerland.

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Body blow for crusade against terror

Stephen Fidler and Sally Bowen on another setback for embattled President Fujimori

Military intelligence was supposed to be something the government of President Alberto Fujimori was good at. Yet the audacious attack on the Japanese ambassador's residence in Lima by members of a guerrilla movement apparently written off as a serious force has revealed intelligence failings that come close to home for Mr Fujimori.

Improvement in Peru's intelligence operations – as well as a measure of luck – was a crucial factor in the Fujimori's government's success against terrorism.

By 1992 the Cuban-inspired Tupac Amaru Revolutionary Movement – the group responsible for Tuesday's attack – was viewed as a largely spent force. The capture in 1993 of Abimael Guzman, the leader of the deadlier Maoist Shining Path movement, dealt a severe blow to that group. Terror attacks declined to such an extent that Mr Fujimori was able to boast that terrorism had been defeated.

In charge of the much expanded intelligence operations since the beginning has been Mr Vladimiro Montesinos, a cashiered army captain who was also Mr Fujimori's lawyer before he took office. Mr Montesinos has already been hurt this year by allegations of his involvement with drugs trafficking.

Mr Montesinos, rarely seen in public, is widely regarded as the second most powerful man in the country. With Mr Fujimori and General Nicolas Hermoza, head of the joint command of the armed forces for more than five years, he is part of a triumvirate whose fortunes have been severely damaged by the embassy assault.

Envoys held hostage: (from left) Morihisa Aoki of Japan, Arthuis Schuschnigg of Austria and Germany's Heribert Woeckel

According to Mr Michael Shifter, a Peru expert at the InterAmerican Dialogue in Washington, the attack has happened while senior military figures appear to have been focusing inordinate attention on discrediting Gen Rodolfo Robles, a retired army officer who has been an outspoken critic of human rights violations by the army.

For Mr Fujimori himself, the attack is the latest of a series of blows that have undermined his popularity over the last year. His popularity rating has fallen from more than 70 per cent to 48 per cent over the last year.

Economic growth has slowed sharply; an expected 2.5 per cent this year translates into zero growth per head. This was necessary after an overheating economy rapidly enlarged Peru's current account deficit, creating the risk of a Mexican-style financial crisis in the country. The risk has lessened, but only at the cost of sharply lower growth.

The president is regarded as having bungled an attempt to win the possibility of a third re-election, having changed the constitution to run a second time in 1995, and he has been damaged by the controversy over Gen Robles.

There is a more subtle message for Mr Fujimori in the decision to attack the envoy's residence. The president, the son of Japanese emigrants, has surrounded himself with many other Japanese-descended Peruvians in government.

The Japanese government has been one of Peru's most important supporters, backing among other things Peru's successful entry this year into the Pacific-rim trade grouping, Apec.

Mr Ryutaro Hashimoto, the Japanese prime minister, visited Peru in August, and the government has promised big concessional credits for Peru through Japan's Overseas Economic Co-operation Fund – of $650m next year and similar amounts in 1998 and 1999.

Mr Fujimori's Japanese background was initially viewed as bringing a new honesty to government. Increasingly, however, he is accused of cronyism and there are signs the links to Japan, once a source of strength, are resented.

Amid the chaotic scenes outside the envoy's residence as the world's media descended on Lima, there were no signs that serious negotiations with the guerrillas were going on. The government was awaiting a mission from Tokyo that was expected to advise on the negotiations.

Decks cleared for Albright

By Jurek Martin in Washington

A series of appointments announced yesterday by the White House underline the extent to which Mrs Madeleine Albright will be able to shape the State Department to her liking.

The most significant foreign policy move is that of Mr Jim Steinberg to be Mr Sandy Berger's deputy at the National Security Council. He has been Mr Warren Christopher's trusted director of policy planning, traditionally an office of influence, since March 1994, and two months ago took on the extra duties of chief of staff when Mr Tom Donilon left.

Virtually all Mr Christopher's under-secretaries will be departing, except, notably, Mr Tim Wirth, the former senator. He runs the global affairs division, encompassing environmental affairs, human rights, the fight against drugs and terrorism, and refugee and migration issues.

The State Department will also be looking for a new spokesman, a high-profile position, in the new year. Mr Nicholas Burns, the well regarded incumbent, is a career foreign service officer and hopes for an ambassadorship, perhaps Turkey.

Mrs Albright will bring in some of her team from the UN. Ms Elaine Shocas, her chief of staff in New York, is expected to assume the same role at the State Department. Mr Jamie Rubin, now her spokesman, could take over from Mr Burns.

Relations between the State Department and NSC, often a source of friction but harmonious during the Bush and Clinton administrations, should remain good, if for no other reason than that Mrs Albright and Mr Steinberg have long been close.

The other White House appointments bear the mark of Mr Erskine Bowles, the new chief of staff. The most notable is that of Mr Rahm Emanuel, already an assistant to the president, to fill some of the duties vacated by Mr George Stephanopoulos, long Mr Clinton's most trusted adviser.

Mr Bowles also named two new deputies: Mr John Podesta, now a university professor but a former White House aide, and Ms Sylvia Matthews, currently chief of staff for Mr Robert Rubin at the treasury.

Attacks force BP rethink in Colombia

By Robert Corzine in Bogotá

British Petroleum is urgently reviewing security arrangements in its Colombian oil fields after a fully-laden helicopter narrowly escaped being shot down by guerrillas over the Cupiagua oil field, along the eastern flank of the Andes Mountains.

One of the 13 passengers and crew aboard the helicopter was wounded as the craft came under automatic weapons fire from guerrillas hiding near the Cupiagua H well site.

Just over an hour earlier Mr Phil Mead, head of BP's operations in Colombia's Casenare region and the subject of a guerrilla death threat, had flown over the site. "This has been one of our problem areas," he said, pointing to the drilling rig below. "For some reasons the guerrillas seem attracted to this well site."

Although there have been other incidents involving BP helicopters, last week's attack was the first in which a fully-laden helicopter was the target. "Whether that was the intention or not, what we have learned from the attack is that if a helicopter is in the wrong place at the wrong time, the guerrillas have now shown that they won't hold back." Mr Mead said.

Senior managers of BP Colombia are studying the circumstances of the attack to determine whether it marks an escalation in the guerrilla campaign against the company, or whether it was merely an unfortunate, but chance, encounter.

"It wasn't a scheduled flight," said a visibly upset Mr Mead at the company's base camp at Yopal, the regional capital, shortly after the incident. "So the helicopter might just have got in the way. But we can't take any risks. This was just too close."

BP has invested $2bn (£1.2bn) in Colombia to develop the Cusiana and Cupiagua oil fields and to explore the nearby Piedemonte area. Last week Mr John Doust, head of BP Colombia, described the projects as "fundamental" to BP's global fortunes. But the company has been criticised for alleged involvement in human rights violations in Casenare and for its close relationship with the Colombian army.

BP's investigation will focus on whether the Cupiagua H location, which nestles below a broad plateau in the foothills of the Andes, is too vulnerable to continue operating. Although the site has cost BP and its partners millions of dollars to develop, Mr Mead said he would not hesitate to close it if it was concluded that a better defence could not be devised.

"People's lives aren't worth the production," he said.

Mr Doust said an alternative might be to close another less important well site to double the paramilitary police presence at Cupiagua H.

There has been a marked increase in insurgent activity against BP's operations in Casenare over the past few months, though executives say most attacks have been directed at the policemen who guard the drilling rigs, four of whom have been killed this year.

But helicopters, on which the company depends to move workers between Yopal and remote well sites, have also come under more frequent attack.

One pilot was killed recently when his helicopter, which was supporting a remote seismic survey team, ran into guerrilla ground fire. After that incident BP suspended operations in the affected area for three months and installed armour protection on some of its fleet.

Export surge lifts Japan trade surplus

By William Dawkins in Tokyo

Japan's trade surplus rose slightly last month for the first time in two years, after a surge in exports of cars and office equipment and a slowdown in import growth.

The surplus expanded by 0.2 per cent from November last year to Y675.19bn ($5.9bn), after a 10 per cent rise in exports and a 12.4 per cent increase in imports, according to preliminary finance ministry data.

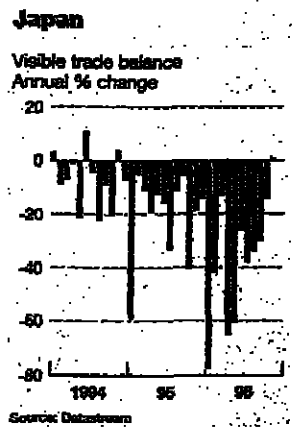
The surplus was larger than the market had expected and the dollar weakened a fraction in response – from Y113.9 to Y113.55.

The figures support many economists' view that the fall in the surplus has almost bottomed out and that the currency's recent recovery will endure. The yen has fallen by about 40 per cent against the dollar from its peak of 20 months ago, when it threatened to push the economy into a slump by pricing it out of world export markets.

Evidence of a surge in exports in November also suggests that the surplus remains sensitive to currency rate shifts, despite the shift of manufacturing capacity offshore in search of lower production costs, said Ms Mineko Sasaki-Smith, economist at CS First Boston in Tokyo.

Export growth was slightly faster last month than the 9.1 per cent average for the previous seven months of the current fiscal year, helped by a 27.7 per cent rise in overseas car sales and a 14.2 per cent increase in sales of office equipment, including computers and photocopiers.

These were the main features in a 31.2 per cent rise in Japan's bilateral trade surplus with the US, the second monthly increase in a row. Within that, a 45.7 per cent rise in car exports to the US last month will fuel US car manufacturers' concerns that the yen's weakness is giving Japanese competitors an unfair advantage.



The surplus with the rest of Asia rose 0.7 per cent in November, while Japan's trade gap with the European Union fell by 2.1 per cent.

The pace of import growth almost halved, from the 23.4 per cent average for the first seven months of the fiscal year, partly because of an unexpected fall in imports of aircraft equipment, but also, economists suspect, because of generally weak domestic demand.

The government yesterday formally acknowledged that the pace of domestic economic recovery, as suggested by slower import growth, would ease next year.

Mr Ryutaro Hashimoto, the prime minister, endorsed an official projection of 1.9 per cent expansion in gross domestic product for the 12 months from next March.

The government is forecasting 2.5 per cent economic growth in the current fiscal year to March, slightly higher than most private-sector economists predict.

Credit demand remains weak, on the evidence of a 3.3 per cent rise in M2 plus certificates of deposit last month, announced by the Bank of Japan yesterday.

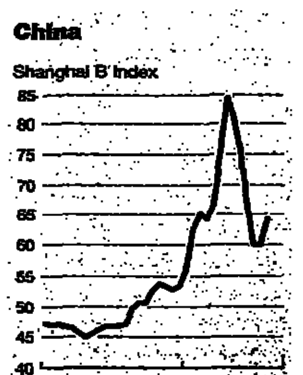
That was the lowest money supply growth in six months and a slowdown from 3.7 per cent growth in October.

China's markets: social order driven

Instability fears lie behind Beijing's action on turbulent stock exchanges, writes Tony Walker

China may have gone far in its economic reforms, but when threats to political stability are involved the authorities do not hesitate to adopt measures which appear to contradict the liberalisation process.

A stern People's Daily commentary this week warning of the dangers of a stock market meltdown – and which itself prompted a 10 per cent fall on both the Shanghai and Shenzhen bourses on Monday – was driven less, it seems, by concerns about market manipulation in a raging bull market than by worries that a crash may cause social unrest.



Capitalist tool: stock market investors crowd a broker's hall in west Beijing

Such fears are heightened during China's difficult transition to a new generation of leaders to replace the ailing Deng Xiaoping.

The Communist party newspaper did not refer directly to such dangers, but left little doubt it feared that among China's 21m stock market investors there may be some who would react violently to the loss of their savings.

"There is no stock market that always grows and never drops," the commentary said. "Stock rallies are bound to lead to stock crashes. Investors have to be responsible for their own gains and losses."

The latest attempt by the authorities to puncture one of China's periodic speculative bubbles also reflects lingering reservations among the country's leaders about the utility of stock markets as a necessary "capitalist tool" to be treated with utmost caution.

Mr Li Peng, China's prime minister, frequently refers to the equities markets as "experimental" – a sentiment which has contributed to a nervy "stop-start" approach to developing China's fledgling capital markets.

Mr John Crossman, chief representative in Shanghai of the brokers Jardine Fleming, said the announcement last week of a 10 per cent limit on stock price movements up or down in a single day virtually guaranteed there would be turbulence in the markets.

"Whenever you try to put limits on a market to decrease volume all you do is increase volatility," he said. "It's inevitable you're going to have huge 20 per cent swings on a weekly basis."

The past four years since the markets were launched in Shanghai and Shenzhen have been marked by bouts of overheating punctuated by relatively crude government intervention, such as the People's Daily commentary, aimed at driving the markets lower.

In the process, investors have been buffeted by contradictory signals from the regulatory authorities in Beijing who appear to be having difficulty resolving whether their role is to encourage capital markets or to save exuberant stockplayers from themselves.

Mr Richard Graham, chief representative in Shanghai of ING Barings, says confidence in the markets has not been helped by a somewhat "haphazard" approach. Brokers in Shanghai cite as perhaps the most striking example government attitudes to local investors purchasing B shares nominally reserved for foreigners and denominated in hard currency.

Since the beginning of the year, Beijing has on the one hand provided what has appeared on occasions like a green light, and then within weeks changed course, reiterating regulations barring such trades.

The markets, which had risen more than 300 per cent this year in the case of the Shenzhen composite index and 100 per cent in Shanghai, have been on a roller coaster this week, losing some 20 per cent after tumbling last week, and seem likely to head lower.

Opinions among local Chinese and western brokers appear mixed about the government's latest intervention. In Shanghai, the representative of Shenyin Securities said that while the share market had become overheated "in the end it should be the market which decides".

Mr Edmond Huang, an analyst at ING Barings in Shanghai, welcomed the intervention, saying a market correction was overdue. "It's good for the market in the longer term," he said. "It needed to come down to a more healthy level."

Mr Pieter Bottelier, chief representative in Beijing of the World Bank, said this week's gyrations indicated China still had a "long way to go before its markets became mature and made a meaningful contribution to capital formation."

People's Daily, in its commentary, indicated one hopeful sign for Chinese investors starved of investment opportunities: the authorities admitted that not enough companies with solid earnings records were being listed. Too many investors chasing too few stocks has helped fuel the equities bubble and heightened risks of a crash.

IMF bullish over HK prospects

By John Ridding in Hong Kong

The International Monetary Fund has given an optimistic assessment of Hong Kong's economy and the territory's prospects for a smooth return to Chinese sovereignty on July 1 next year.

In conclusions to its annual survey of the Hong Kong economy, made public for the first time by the territory's government yesterday, the IMF said there had been a "significant reduction of uncertainties" concerning the transfer of sovereignty.

The IMF forecast a broadening and strengthening of the recovery in Hong Kong next year, with real gross domestic product expected to rise by between 5 per cent and 5.25 per cent.

This compares with a forecast of 4.5-4.75 per cent growth this year. The Hong Kong government expects growth of 4.7 per cent this year, and has a medium-range forecast of 5 per cent growth.

The study is the latest optimistic assessment of Hong Kong's economic prospects and comes amid a surge in the property and stock markets.

Earlier this week, Hong Kong Bank predicted consumption-led expansion would underpin growth of 5.2 per cent for 1997. Like the IMF, the bank predicted an improvement in Hong Kong's trade performance over the coming year.

Given the resumption of economic growth and with inflation expected to remain moderate at about 7 per cent, the IMF stressed the need for policy makers to maintain confidence and stability.

"It is especially important this year for the authorities to resist calls for fiscal stimulus to encourage the recovery under way," its report said.

The IMF also gave its backing to the territory's monetary system and its exchange rate link with the US dollar.

The currency peg to the US dollar has deprived Hong Kong of an independent monetary policy. But according to the IMF, it has played a critical role in promoting economic stability and confidence over the years of the transition. "The linked rate is in line with the fundamentals of the economy and is backed by substantial and rising reserves."

Call to resist pressure for further boost to recovery

China's statements on its resumption of sovereignty over Hong Kong had helped maintain confidence, the IMF added. "China has made important commitments that there will continue to be two separate monetary systems and currencies and two mutually independent monetary authorities," the report said.

Mr Donald Tsang, Hong Kong's financial secretary, said he had made the IMF assessment public as part of the government's efforts to enhance openness and transparency.

● Hong Kong's central bank plans to commit resources to an IMF borrowing arrangement that countries could draw on during financial crisis, it said yesterday, AP-DJ reports.

Mr Joseph Yam, chief executive of the Hong Kong Monetary Authority, said details of the fund structure had not been finalised by the IMF. But he said Hong Kong was prepared to commit around US$500m (£300m).

Rao urged to quit as MPs' leader

By Mark Nicholson in New Delhi

Leaders of India's Congress party yesterday issued a direct call for the resignation of Mr P.V. Narasimha Rao, the embattled former prime minister, as the party's parliamentary leader.

Mr Rao, 76, who has already resigned as party president, was said to be "considering" the move, demanded in a personal letter from 21 of the party's senior parliamentarians.

The letter noted Mr Rao's "valuable services", especially in promoting liberalising reforms which helped rescue India from economic crisis in 1991, but said his departure was "necessary to establish the party's credibility".

The resignation call appears a further move by Mr Sitaram Kesri, Mr Rao's successor as party president, to refurbish the image of the party, which suffered defeat in this year's elections and has since seen several former MPs and ministers enmired in corruption cases.

Mr Rao has been charged in three corruption cases, each of which carries a maximum seven-year jail sentence. The former prime minister has denied wrongdoing in each case. Mr Rao assumed the Congress leadership after the assassination of Rajiv Gandhi in 1991 and was prime minister until elections in May.

Mr Rao's departure would be likely to prompt a scramble for the leadership. His resignation is viewed by Mr Kesri as a prerequisite for bringing back into the Congress fold several defecting factions.

Mr Kesri has already won the defection from the United Front coalition government of one small ex-Congress group. His chief prize would be to persuade 20 ex-Congress MPs from Tamil Nadu to rejoin the mother party.

This would undermine the UF coalition and put Congress in sight of forming the government, a prospect which yesterday helped buoy Bombay share prices.

Jiang gives Tung pledge of support

China's President Jiang Zemin yesterday greeted Mr Tung Chee-hwa, Hong Kong's new chief executive, with a pledge of support, saying the appointment of the tycoon marked the dawn of a new era, Reuter reports from Beijing.

"Of course I will support him," Mr Jiang said when meeting Mr Tung, 59, who will lead the British colony after its return to Chinese rule on July 1 next year.

Mr Tung's visit to Beijing is being keenly watched by residents in the territory eager to learn whether senior civil servants will keep their jobs.

He has warned Hong Kong's people to be sensitive to China's sovereign rights, and has yet to give details of his plans for the post-colonial administration. But he has said he will discuss transition issues during his Beijing visit.

In Beijing's state guest house yesterday, Premier Li Peng gave Mr Tung a certificate of appointment and congratulated him on his success.

"This is indeed an historic moment," Mr Li said.

Earlier, Mr Tung met Mr Qian Qichen, the foreign minister.

One of Mr Tung's first tasks will be to put together an advisory executive council. Final decisions on which senior civil servants to keep will be made by China.

Beijing has hailed Mr Tung's appointment as the fruit of its principle of Hong Kong autonomy, but the selection process was dogged by protests. Democrats accuse Beijing of using its hand-picked selection committee to stage-manage the choice.

Beijing's critics believe it is likely to try to control Hong Kong and its 6.3m people from behind the scenes, after the five-star Chinese flag is raised over the territory.

The committee that chose Mr Tung with a sweeping 80 per cent majority is preparing to select on Saturday a 60-member "provisional legislature" with which China plans to replace the existing, elected one on July 1.

Mr Chris Patten, Hong Kong's colonial governor, has condemned the new legislature as undemocratic and has vowed not to co-operate with it.

Pakistan hit by tough IMF loan conditions

By Farhan Bokhari in Islamabad

Pakistan's stock market fell almost 1 per cent yesterday as it emerged the International Monetary Fund had attached tough new conditions to further lending and was staggering disbursement of its standby credit.

The IMF announced on Tuesday night it was prepared to increase the standby loan it has granted Pakistan to $831m from $600m and extend its maturity by a further six months.

But its immediate disbursement will be smaller than earlier expected. The IMF had agreed to lend $160m to the government of former prime minister Benazir Bhutto in October. It has now decided to release only half that amount by the end of this week.

It is insisting the unpopular goods and services tax be widened next month before the second half is released, government officials said.

This follows concern at the level of government borrowing from the banking system, which has been running well in excess of the formal target.

There is also anxiety over the future of a package of economic reforms, promised to be announced by Mr Farooq Leghari, Pakistan's president, around December 20.

Senior officials in Islamabad said the IMF had conveyed its reservations over a recent support package for the textile industry and had urged the government not to give further relief unless its fiscal targets are back on track.

The IMF's fresh reservations over Pakistan's economy come as the caretaker government of Prime Minister Meraj Khalid is facing domestic political pressures.

Mr Fakhruddin Ebrahim resigned last night as law minister amid public concern at the government's failure to enforce measures to make government accountable.

The government is under pressure to release Mr Asif Ali Zaradari, husband of the former prime minister, Ms Benazir Bhutto. A court in Sindh Province yesterday ruled that his detention without charge was illegal.

The caretakers have also been criticised by some Pakistani politicians for not having the popular mandate to commit the country to long-term structural adjustments.

Officials say there is encouraging news on foreign exchange reserves, which have edged to $788m this week, enough to finance 3½ weeks' imports, up from about $600m in early November.

The gap between the official exchange rate and free market quotes for the Pakistani rupee has narrowed to 5 per cent this week from 10 per cent in October.

But concerns continue over Pakistan's external trade performance. The trade deficit fell to $303m last month, down from $452m in October.

Reports of an expected fall in this year's cotton crop have added to anxieties on trade. More than half Pakistan's export income comes from cotton products.

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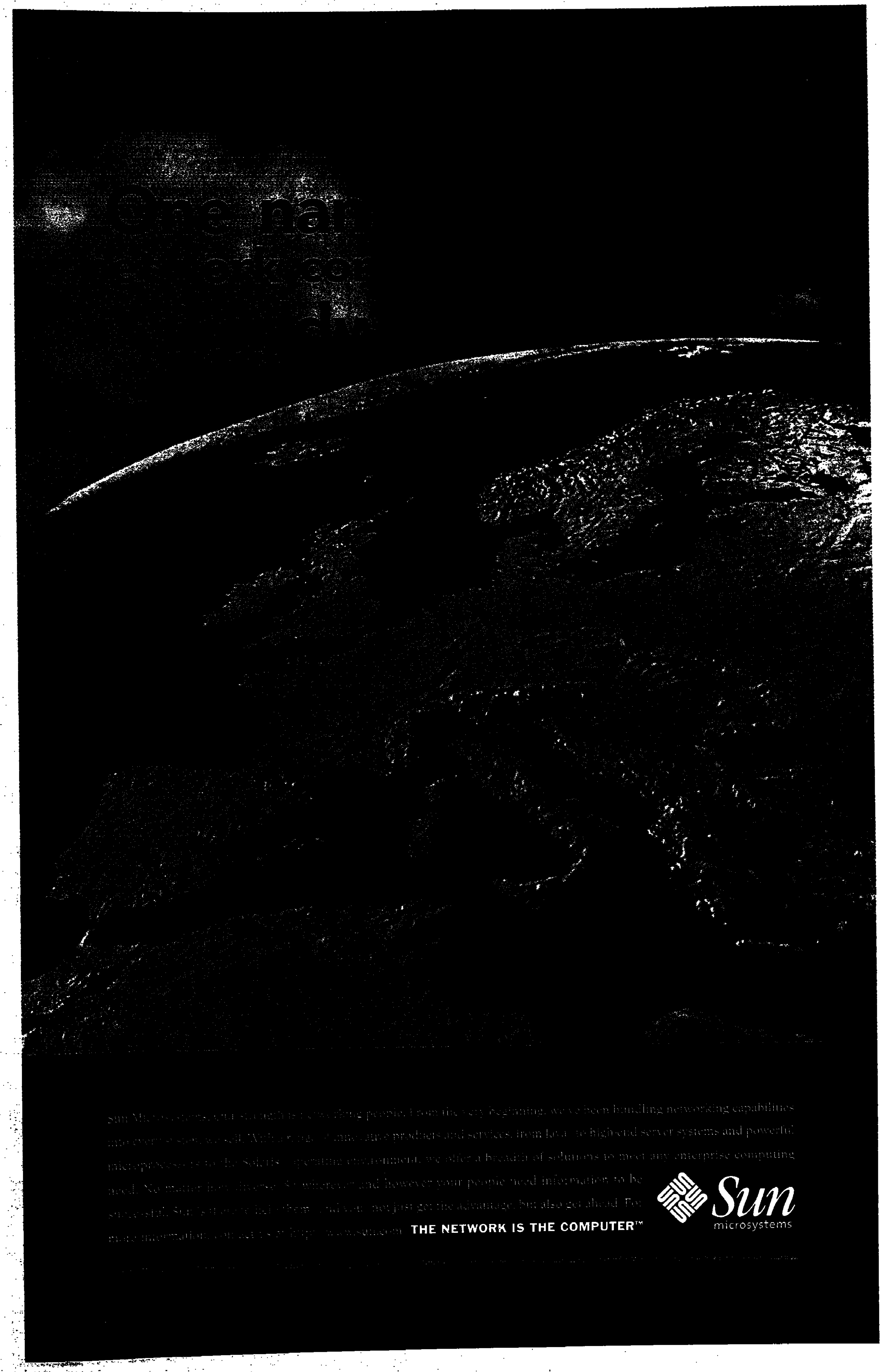


Chip deal based on Japanese data error

By Louise Kehoe in San Francisco

The controversial US-Japanese semiconductor trade agreement signed at the end of July was negotiated on the basis of erroneous Japanese market share data, it now appears. Later this week the US and Japan are expected to issue corrected data. Instead of showing a sharp rise in the market share of foreign chip suppliers in Japan during the first quarter of this year, the new data are expected to show a small decline.

Although the error was acknowledged by Japanese officials in discussions with their US counterparts in October, until now neither side has appeared anxious to focus public attention on the issue, or to make a correction.

Such an announcement might have been a political embarrassment for President Bill Clinton, then campaigning for re-election and boasting of the success of his administration's trade policies. The error was also an embarrassment for the Japanese Ministry of International Trade and Industry, which was responsible for calculating the market share data.

Some US semiconductor industry executives are, however, suspicious about the mistake, which they point out worked to the advantage of the Japanese.

During talks leading up to the trade pact, Japanese negotiators argued that with the foreign market share standing at an all time high of 30.6 per cent, there was no need for a new agreement.

Although a pact was eventually signed, the terms were less stringent than in previous US-Japan chip accords. Ironically, under the terms of the new agreement, market share data collection will become the responsibility of national industry groups, rather than the two governments.

"Because of the timing and magnitude of the error, Japan should provide full disclosure (regarding the cause of the error) so that there can be no doubt as to the veracity of their market share statistics," said a spokesman for the Semiconductor Industry Association (SIA), a US trade group.

Had the correct data been available before July they "could have had a major influence on talks in the first half of 1996 leading up to the trade agreement. It would have been a very different situation," the SIA said.

Separately, US and Japanese industry groups are this week expected to announce a semiconductor "anti-dumping" agreement. This will establish arrangements to ensure the collection of cost data by memory chip makers and the expedited sharing of such data if a US or Japanese company should file a dumping complaint.

In another related issue, US and European officials will meet in January to discuss European semiconductor tariffs. The EU wants entry into a world "semiconductor council" created under the terms of the July US-Japan agreement.

The US is demanding, however, that the EU eliminate import duties on chips before it can join the semiconductor industry group. Although European duties will end by 2000 under the terms of an information technology agreement, this is not soon enough to satisfy the US, which is seeking faster action.

Spirit of Nafta is swept under the carpet

Leslie Crawford and **Nancy Dunne** uncover an untidy trade tiff between the US and Mexico

Just 382 jobs and less than $10m of imports are involved out of two-way trade totalling about $140bn. Yet the latest dispute between the US and Mexico has consumed thousands of man-hours at both countries' trade departments, required the mediation of numerous commissions and has in the end provoked Mexico into imposing retaliatory duties – the first time it has done so since it joined the North American Free Trade Agreement almost three years ago.

The issue? Brooms. It all began when the US last month slapped quotas and countervailing duties on Mexico's hand-made corn brooms to protect the US industry. It argued the three-year "safeguard" tariffs were needed to give US corn broom manufacturers time to adjust to Mexican competition.

US corn broom companies have found it difficult competing since the start of Nafta, when Mexican corn brooms were allowed into the US duty-free.

The US International Trade Commission found that brooms from Mexico had injured the US industry, along with brooms from Panama, Honduras, Colombia, and Hungary. Imports last year captured nearly 60 per cent of the US market.

Because corn brooms are so labour intensive, broom-weaving has been a popular product for US companies founded to employ the blind. The US industry must now, among other things, introduce automation to improve efficiency.

Mr Jaime Zabludovsky, under-secretary for international trade at the Mexican ministry of commerce and industry, says: "We did not want to impose retaliatory tariffs, but we felt we had no choice after the US move."

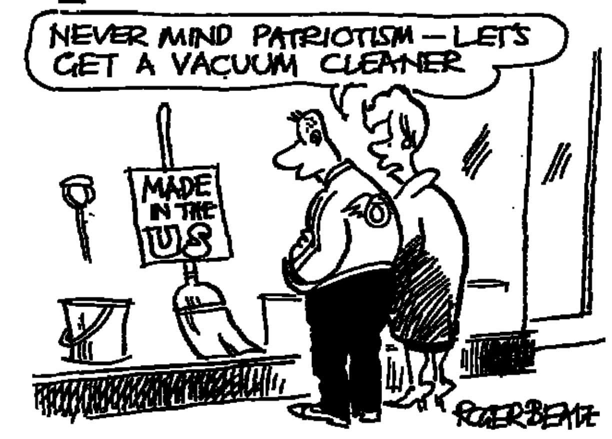
The trade tiff comes at the end of a frustrating year for Mexico, which has seen several of its burning commercial concerns buried by US electoral politics. Mexican tomato growers have been forced to accept export prices imposed by the US to avoid punitive anti-dumping charges; the US Senate failed to lift a ban on Mexican tuna fish imports, even though numerous environmental groups certified Mexico's conversion to dolphin-safe fishing techniques; scant progress was achieved in negotiations to lift another ban, on Mexican avocados, which has been in force since 1914.

Neither did the US budge on its refusal to allow Mexican truckers over the border – a prohibition Mexico believes violates specific provisions in the Nafta treaty. Mexico has also been incensed by the Helms-Burton Act which seeks to penalise foreign companies doing business with Cuba.

Mexico has imposed other tit-for-tat duties on US wine, Tennessee whiskey, brandy, wine coolers, notebooks, wooden furniture, fructose and flat glass.

"The cornbroom case is smaller than tomatoes, which is smaller than avocadoes, which is smaller than trucking, which was a payoff to the Teamsters," said Mr Gary Hufbauer of the Institute for International Economics. "What this means about the spirit of implementation of Nafta, is where there is discretion the impulse is to slow down."

The latest US move has devastated the small town of Cadereyta, capital of the Mexican corn broom industry, which lies just outside the northern city of Monterrey, on the road to Texas.



"We believed Nafta had swept away all these protectionist measures, but we were mistaken," says Mr Humberto Gambino, a corn broom manufacturer in Cadereyta. "This is just another instance of the US closing the door on Mexico."

Mr Jorge Treviño, president of the Mexican Corn Broom Manufacturers' Association, believes the US protectionist measures have imperilled thousands of jobs in and around Cadereyta. The industry contracts around 5,000 farmers to grow *mijo*, a tough, sorghum-like cereal which is the raw material for both US and Mexican-made brooms. Mijo must be hand-picked. It is then sold to scores of family-run businesses, which also fashion the brooms by hand.

"We will have exhausted our duty-free quota by March," Mr Treviño says. "After that, our exports will pay 33 per cent duty, which could cut sales by more than 20 per cent."

At the trade department in Mexico City, Mr Zabludovsky says Mexico will demand a special Nafta panel to settle the corn broom controversy. And although he is sometimes impatient with the slow workings of Nafta's dispute resolution mechanisms, he remains an enthusiastic supporter of the treaty.

"These are minor irritants in a huge, dynamic and booming trade relationship," he says.

INDUSTRY URGES FREER LORRY MOVEMENT

US industry leaders yesterday called on President Bill Clinton to implement the cross-border lorry provision agreed under the North American Free Trade Agreement but delayed during the past year because of alleged "safety" concerns, Nancy Dunne reports from Washington.

One year after the president delayed the agreement, officials from the trucking, car and freight industry told him that, with 85 per cent of all US-Mexico trade moving by road, Nafta's success hinged on ending the "gridlock" of traffic on the border.

"Continued imposition of the freeze has strained our relations with Mexico, stymied resolution of other bilateral transportation issues, and denied the US the benefits of expanded trade," the officials told the president in a letter.

Lorries from US and Mexican trucks are now allowed to drop their loads in special zones just across the border. It was agreed under Nafta that, from December 18 last year, trucks would be able to travel freely throughout the border states in both countries. After 12 years they were to be allowed to travel throughout both countries.

Mr Bob Nicklas of the Teamsters, the US truckers' union, said the US and Mexico had yet to negotiate a comprehensive safety agreement which would specify, among other things, the hours of drivers' service and the handling of hazardous materials.

The Teamsters contend that Mexican lorries are three times as old as US ones, and that they are heavier, poorly maintained and fail to meet US air emissions requirements.

With an election looming, under pressure from unions, which feared the loss of jobs to low-wage Mexican drivers, Mr Clinton last year agreed to delay the provision.

Mexico has retaliated by refusing to approve the use of large American trailers, which could cut the number of shipments and reduce congestion at the border.

Palpitations in Canada's drugs industry

Medicine prices will be a hot issue in Canada's next general election if the generic drug industry has its way.

The industry has been licking its wounds since a contentious 1992 law, known as Bill C-91, ended its reputation as the rogue elephant of the international pharmaceuticals trade. With the election campaign likely to coincide with a scheduled five-year review of the law, the generic producers have spotted an opening.

Mr Jack Kay, chairman of the Canadian Drug Manufacturers' Association (CDMA), which represents the generic industry, said recently Bill C-91 "has had a profound effect, creating a climate that is not good for business in Canada, and jeopardising the future growth of a truly national domestic pharmaceutical industry".

For more than two decades until 1992, the generic industry enjoyed the fruits of a "compulsory licensing" system, under which brand-name companies had to license their drugs to "copy-cat" generic producers long before patents expired. The generics not only undercut brand-name drugs at home but also built up a sizeable export business.

C-91 ended compulsory licensing and restored full 20-year patent protection. In return, brand-name companies promised to lift spending on research and development in Canada to at least 10 per cent of domestic sales.

The two sides now argue over which has brought – and will bring – greater benefits to Canada's economy.

The brand-name industry, comprising mostly multinational subsidiaries, is anxious not to lose the gains made in 1992. It maintains it has more than met its commitments, reaching its R&D spending target three years ahead of schedule, creating 3,000 jobs and holding price increases below inflation.

Bayer, the German group, said earlier this week its Toronto-based unit would spend C$20m (US$14.7m) over the next six years to test an angina drug on 2,000 patients.

Ms Judy Erola, president of the Pharmaceutical Manufacturers' Association of Canada, the brand-name industry's lobby group, says "this is not simply a case of protecting the multinationals. It's nurturing our own biotechnology industry."

The generics sector acknowledges that, despite C-91, its domestic business has expanded in the past five years. The main reason is a drive by the provinces (which oversee the public healthcare system) and private sector insurers to contain drug prices.

But Ms Brenda Drinkwalter, CDMA president, contends that "looking forward, the world is not very pretty". She says that cost-cutting has almost run its course and that sales have been buoyed up to now by licences that were in the pipeline when C-91 took effect.

The generics industry has its own set of impressive job-creation, investment and price-containment figures. It has 5,000 employees and the two biggest companies, Novopharm and Apotex, recently opened factories.

Generics made up 39.5 per cent of the 232m prescriptions filled in the year to September 30 but only 15.2 per cent of the C$5.97bn spent on pharmaceuticals.

The generic sector dismisses rivals' claims they have given domestic R&D a shot in the arm. Brand-name drug imports have risen sharply in recent years.

Despite the brand-name industry's rising investments, only one new drug – the anti-Aids drug 3TC, developed by Biochem Pharma, has been developed in Canada in the past decade. According to Mr Kay, countries such as Canada "are perceived and treated as markets and not discovery centres".

Nevertheless, brand-name manufacturers have lost no opportunity to put generics on the defensive since 1992. They have launched a series of lawsuits to stop generics from using the same size, shape or colour as the equivalent brand-name product.

They have stalled new generic products by targeting a practice known as "early working", which enables generic manufacturers to make and store a product before a patent expires, so it can be put on the market immediately afterwards.

Apotex says it has 10 products it cannot release due to these "notice of compliance" rules. One has been stalled for almost four years.

Generic producers are also pushing for a relaxation of export curbs. Exports already make up 30-40 per cent of output, but they are constrained by a rule that stops them exporting drugs that are still under patent protection in Canada even though they can be sold legally abroad.

The brand-name companies contend such a concession would violate international trade rules unless it was extended to all other sectors.

The government has so far stayed above the fray. It has little to gain by taking sides ahead of the election. If it backs the brand-name industry, it risks offending consumer groups, especially senior citizens, who benefit from cheap generics.

But support for the generics could whip up sentiment against the ruling Liberals in Quebec, where the bulk of the brand-name industry is located. Although the C-91 review is due to start in February, it would come as no surprise if Ottawa stalled it until the elections are safely out of the way.

Bernard Simon

WORLD TRADE NEWS DIGEST

Indonesian car sales recover

Indonesia's car sales rose for the fifth consecutive month in November. Figures released by Astra International, Indonesia's largest car assembler, show that total car sales, including exports, climbed 8.1 per cent compared with the previous month, the fifth month-on-month increase since July when the impact of the "national" car project on sales appears to have peaked. Year-on-year car sales declined 4.8 per cent in November.

Although Timor Putra Nasional, the joint-venture company which controls the "national" car project, has not released sales figures, analysts say it has only sold about 2,000 units since it launched its vehicle in October this year.

President Suharto's youngest son, Mr Hutomo Mandala Putra, was awarded tax and tariff breaks to build the "Timor" car in co-operation with South Korea's Kia Motors. An overall decrease in car prices had been expected as a result, but so far no price war has evolved.

Instead, with the matter being taken to the WTO by the European Union, Japan and the US, claiming that Indonesia has broken international trade agreements, demand for other models has picked up. Sales of Astra vehicles, assembled in co-operation with Japanese manufacturers, have strengthened in the last few months. *Manuela Saragosa, Jakarta*

Mexican water project loan

A Mexican water treatment company has secured a 10-year $24m loan from Chase Securities, a subsidiary of Chase Manhattan Bank, for construction of a waste-water treatment plant in Cadereyta in the northern state of Nuevo León.

The 10-year term of the loan to Aguas Tratadas de Cadereyta marks something of a breakthrough for Mexico. Chase Securities' Global Power and Environmental Group said it was the first project financing to take uncovered Mexican political risk since the peso crisis in December 1994. Chase said it was willing to underwrite the long-term transaction because of the strong creditworthiness of Petróleos Mexicanos (Pemex), the state oil monopoly, which will buy the services of the treatment plant after it is built.

Aguas Tratadas de Cadereyta is a joint venture between Cydsa, the chemical division of the Mexican glass manufacturer Vitro, Poseidon Resources, a waste-water project developer based in Stamford, Connecticut and Ionics, a manufacturer of water-purifying technology based in Washington state. *Leslie Crawford, Mexico City*

Norway to build Greek ferry

Minoan Lines, Greece's largest passenger shipping operator, has placed a $110m order for a new luxury ferry with Fosen, a Norwegian shipbuilder. The Pasifai will be the second of a pair of high-speed ferries to be used on the Adriatic crossing between Greece and Italy. Minoan is due to take delivery of the $105m Ikaros from Fosen early in 1998, followed by the Pasifai six months later. The ferries will carry up to 1,500 passengers and 160 trucks.

Minoan's new order will intensify competition on the Adriatic crossing, the main gateway for Greek exports to the EU and for tourists travelling to Greece by car. Minoan now has only one high-speed ferry which can make the Patras-Ancona crossing, the most popular route, in less than 24 hours. Its main competitor, Attica Enterprises, already operates two fast ferries between Patras and Ancona and has two more under construction by Kvaerner Masa, the Finnish shipbuilder belonging to Norway's Kvaerner group. *Kerin Hope, Athens*

Poland warns engine maker

The Polish government has told Isuzu, the Japanese motor engine manufacturer, that it cannot expect any special incentives for its project to build a $500m production facility. The Isuzu plan, the first big Japanese investment in the country, envisages a factory in a Special Economic Zone in Tychy, southern Poland, with an initial output of 200,000 diesel engines a year by mid-1999 for sale in the European Union. A second phase would boost annual capacity to 300,000 engines, all destined for export.

The decision on the plant has been delayed as Isuzu pushed to extract the best possible incentive package for the investment. The government stressed this week that the Japanese engine maker would not be granted any incentives other than those provided for by current regulations. *Christopher Bobinski, Warsaw*

Japanese Three Gorges credit

The government-backed Export-Import Bank of Japan has offered credit to Japanese companies bidding on part of China's controversial Three Gorges dam project, a bank spokesman said yesterday. The project, to be completed in 2009, is expected to submerge huge areas around the Yangtze River, including entire towns, forcing about 1m Chinese to be relocated.

Human Rights Watch-Asia has claimed that religious and political prisoners will probably be among the 20,000 construction workers. But a spokesman for the Japanese bank, which finances trade, said it was confident China would properly address humanitarian and environmental concerns.

The spokesman said a preliminary offer of financing was necessary for a Japanese consortium to bid for contracts involving 14 power plants and turbines, which are estimated to cost Y50bn to Y70bn ($440m-$620m). Wednesday was the deadline for bidding on those contracts. *AP, Tokyo*

LEGAL NOTICES

IN THE SUPREME COURT OF GIBRALTAR
1991: Comp No 57
IN THE MATTER OF BANK OF CREDIT AND COMMERCE
GIBRALTAR LIMITED and
IN THE MATTER OF THE BANKING ORDINANCE and
IN THE MATTER OF THE COMPANIES ORDINANCE
NOTICE TO CREDITORS OF INTENTION TO DECLARE A FIRST DIVIDEND

TO: All persons and entities who appear from the records of the company to have a contractual relationship with the company AND have NOT filed a proof of debt in the liquidation of the Company.

TAKE notice that a first interim dividend is intended to be declared in this matter.

The Joint Liquidators have written to all such persons as appear to be entitled to make a contractual claim against the company inviting them to do so no later than the claims filing deadline of 16 January 1997. The Joint Liquidators thereafter shall proceed to declare and distribute the dividend only to those persons who have lodged proofs of debt within the filing deadline and which have been accepted and admitted in the liquidation.

All Correspondence or Notices regarding this matter should be sent to:

The Joint Liquidators
Bank of Credit and Commerce Gibraltar Limited
PO Box 168, Suite 3C, Regal House
Queensway, Gibraltar

Dated this 19th of December 1996.

هكذا من الأصل

Premier admits negotiations 'stuck' on dispute about paramilitary weapons

Mitchell may try to rescue Ireland talks

By John Murray Brown in Dublin

Mr George Mitchell, the former US Senate majority leader, said yesterday he was prepared to invoke his powers as chairman of the Northern Ireland peace talks to present a compromise formula to end the continuing dispute over paramilitary weapons. He spoke as Mr John Major, the UK prime minister, conceded during a visit to the region that the talks were "stuck" over the issue.

This would be the first time Mr Mitchell has used his powers as chairman to put forward his own ideas independent of the British and Irish governments.

A statement from his team at the talks said there might be a case "for exercising the authority conferred on us by the rules of procedure, in circumstances where there is no unanimity on an issue".

His announcement follows upbeat comments on Tuesday from President Bill Clinton at a meeting in Washington with Mr John Bruton, prime minister of the Republic of Ireland. The president suggested that Sinn Féin could be admitted to the talks "fairly soon" after the declaration of a new ceasefire from the Irish Republican Army. Sinn Féin is the IRA's political wing.

As the talks adjourned for Christmas – to be reconvened on January 13 – Mr Mitchell said he would "explore" with the parties the possibility of seeking backing for new proposals on the arms question, which has bedevilled progress since the talks opened in June.

Officials in the republic's government are privately confident that the nationalist movement may be moving towards announcing a new ceasefire. In spite of bomb finds in Belfast and other areas, the security assessment in Dublin is that the moderates in Sinn Féin in favour of the peace process have bolstered their position in recent weeks.

Mr Major said during his traditional pre-Christmas visit to Northern Ireland that he would need to see "both words and deeds" from the IRA before Sinn Féin can join the parties already at the peace talks. He said "I am not going to put a timescale on it except to say what I have said in the past – no one is looking for undue delay" before Sinn Féin's admission.

His tone was noticeably more conciliatory towards the republicans and he even appeared to acknowledge the difficulties that Mr Gerry Adams, the Sinn Féin president, may face from his own ranks. Interviewed in a Belfast newspaper, Mr Major said Mr Adams had not stopped preparing for war. But he said "either Mr Adams didn't wish to, or he has been deceiving people, or he does wish to but he has failed to persuade other people to come with him".

Brian Little

John Major meeting Northern Ireland policemen yesterday

Mr Mitchell reported "some convergence on certain issues" among the parties and expressed confidence that with "renewed determination" substantial progress on the arms question and towards an agreed settlement could be made.

'An unsung hero of the peace process'

Late in 1992, soon after Mr Bill Clinton's election as US president, a secret meeting took place between Mr Niall O'Dowd, editor of two New York-based Irish publications – the Irish Voice and Irish America – and a member of Sinn Féin, the political wing of the Irish Republican Army.

The meeting's purpose was to establish how the Irish-American lobby, which had won the president's sympathetic ear, might help bring about an IRA ceasefire in return for ensuring that Sinn Féin was granted greater public respectability in the US.

In the following weeks Mr O'Dowd engaged the help of a small group of prominent Irish-Americans, who had helped fund Mr Clinton's campaign, for a round of secret diplomacy that for a while had the informal blessing of the White House. His group included Mr Charles "Chuck" Feeney, one of America's richest men.

Four years on, Mr O'Dowd is reluctant to detail publicly the precise nature of his diplomacy or its achievements. He believes, though, that if peace does come eventually to Northern Ireland, it will be in no small measure thanks to Mr Feeney. "He is one of the great unsung heroes of the peace process," says Mr O'Dowd.

"Chuck" Feeney: biggest donor of cash to Sinn Féin

Mr Feeney shuns publicity and has repeatedly refused to give interviews. But a rare insight into his role in Northern Ireland politics was revealed by the latest accounts filed in the US by Friends of Sinn Féin, which raises funds on behalf of the IRA's political wing.

These show that Mr Feeney contributed $200,000 to Sinn Fein in the 12 months to October 31, making him the organisation's largest donor. The contribution, which finances Sinn Fein's Washington office, was a result of Mr O'Dowd's lobbying efforts.

Mr Feeney's involvement in Northern Ireland politics has until now been the least reported aspect of a career publicly dedicated to the free market and big business. Stories about him in recent months have focused on a battle with his former business partner, Mr Robert Miller, over the future ownership of DFS, Duty Free Shoppers.

The company, the largest duty-free operation in the world, is the most visible leg of Mr Feeney's corporate empire, which spans oil, hotels, real estate and computer interests. Forbes magazine, which annually includes him in its list of richest Americans, estimates his personal fortune at around $910m.

Mr Feeney's is a rags-to-riches story that has become corporate legend. The son of a train driver from New Jersey, he supported his studies in hotel administration at Cornell University School by selling sandwiches to fellow students.

He and Mr Miller, a former classmate, opened their first duty-free shop in Hong Kong in 1960, targeting Japanese tourists. Other ventures included selling duty-free to American troops in Spain and advising Shannon airport on how to boost its revenue from duty-free.

Mr Feeney, in contrast to the flamboyant Mr Miller, has a reputation for being reclusive and modest. "He has never forgotten his roots and dislikes the overt trappings of wealth," says a friend. A former colleague tells how he once saw Mr Feeney using a safety pin to hold up his trousers and that he prefers to travel economy class.

He is also, according to those who have had personal dealings with him, a philanthropist who sees his donations to Sinn Féin not as support for IRA violence but as a way of engaging its political wing in the peace process.

"He is one of the most extraordinary men I've met," enthuses Mr O'Dowd. "He is prepared to go the extra mile for peace in Northern Ireland and dig deep into his pocket as long as there is a prospect of an end to violence."

The UK government has always argued that US donors to Sinn Féin are contributing to the finances the republican movement as a whole. Irish officials, however, who have been tracking Mr Feeney's involvement with Sinn Féin, point out that other recipients of his donations include unnamed educational establishments in Northern Ireland and the Republic of Ireland. They also draw a distinction between Mr Feeney and unnamed businessmen on both sides of the Atlantic who are believed to have contributed directly to the IRA.

Mr Feeney's Irish roots link him through Catholic grandparents to County Fermanagh. He featured in a congressional campaign a few years ago in support of legalising the status of thousands of Irish immigrants who came to the US illegally in the 1960s.

His direct involvement with Northern Ireland resulted, say friends, from when he watched TV coverage of the aftermath of the IRA bomb in November 1987 in Enniskillen, which killed 11 and injured sixty people, mostly Protestants.

Mr Feeney is supposed to have said: "This is ridiculous, I must do something."

Jimmy Burns

DFS go-ahead, Page 16

Abattoir chief may aid ostrich investors

By Clay Harris in London

Ostrich owners who paid nearly £22m ($36m) to a failed investment scheme may be offered an alternative rescue plan which would involve birds being transferred from Belgium to Scotland.

Ostrich Farming Corporation, which "guaranteed" annual returns of more than 50 per cent, was closed by the British government in April. Its 2,700 investors have already been sent a prospectus offering equity in a new company, Belautruche, in return for their ostriches and new cash equal to at least 13 per cent of their original outlay.

The plan now has a potential rival, although it is not clear whether a firm proposal will be available before the Belautruche offer's closing date of January 10.

Scotland Avian Farming Enterprise would be set up as a mutual interest company, in effect an owners' cooperative. The company would be managed by Mr Walter Murray, a farmer who operates the first UK abattoir licensed by the European Commission for the slaughter of ostriches. The birds would be kept on farms near his facility in Berwickshire, a region near the border with England.

Similar to the Belautruche plan, owners would trade their ostriches for partly paid shares in the enterprise and an amount of new money yet to be determined. They would also have to pay the cost of transporting the birds from Belgium.

A business plan has been drawn up by Employee Ownership Scotland, a body backed by local authorities, the government's Scottish Office and Local Enterprise Committees (Lecs). The feasibility study was commissioned by Scottish Borders Enterprise which is a Lec.

Belautruche, an unlisted UK company, is seeking up to £2.8m in new money from OFC owners. At the maximum subscription, it would own 50 per cent of an unlisted Belgian company, also called Belautruche, which plans to breed, farm and slaughter ostriches and market their meat and leather.

Its directors include Mr Eddy Nachtergaele, the Belgian farmer who sold ostriches to OFC and has kept them on his farms at Amougies and Beaumont.

Also on the board is General Sir Robert Pascoe, who has resigned as chairman of the Ostrich Owners Protection Group, the main lobbying organisation for OFC investors.

Coopers & Lybrand, OFC's liquidator, is trying to trace and recover at least £3.7m in alleged "excessive payments" made to intermediary companies. A census on Belgian farms last month confirmed that a third of the 3,700 ostriches OFC "sold" to investors never existed, and that others had died.

UK NEWS DIGEST

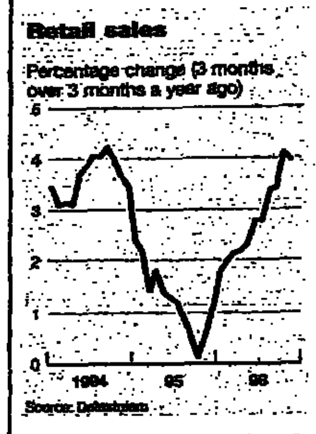
$14bn invested by N America

Investment in the UK by companies from other countries more than doubled to £13.3bn ($22.3bn) in 1995, the Office for National Statistics said yesterday. North American companies invested £8.4bn ($14.1bn) substantially more than the £1.9bn invested in 1994. Meanwhile, UK companies invested a record £26bn ($42.6bn) in other countries last year, with North America the most popular destination. About 37 per cent of UK investment in other countries went into EU states. Earnings from investment in other countries increased by £2.6bn to £24bn, a record.

● Export orders in the UK engineering industry have risen in the past three months in spite of the increase in the value of the pound, the Engineering Employers' Federation said yesterday. With UK demand also strengthening, the federation said the sector was poised to enter the New Year on a healthy note, with overall output in 1997 likely to be up 3 per cent on this year. *Graham Bowley*

■ ECONOMIC INDICATORS

Biggest drop in unemployment



The biggest drop in unemployment on record took the jobless level below 2m for the first time in almost six years yesterday, putting mounting pressure on the government to raise interest rates. The number of people out of work fell by a seasonally adjusted 95,300 in November to 1.9m, the lowest since January 1991. This was the biggest monthly decline since records began in 1948 and took the unemployment rate to 6.9 per cent of the workforce. Separate figures showed shops are enjoying the best trading conditions for two years. The Office for National Statistics said retail sales volumes grew 3.9 per cent higher in the year to November.

The opposition Labour party said the jobs figures were giving the City of London an exaggerated picture of growth. But Mr Kenneth Clarke, chief finance minister, said the bulk of the drop in unemployment was a genuine result of healthier economic growth. *Graham Bowley*

■ LLOYD'S OF LONDON

New members for ruling council

Lloyd's of London has elected four new members to its ruling council, two of them working professionals from within the insurance market and the others representing corporate capital and Names – the individuals whose assets support the market. Sir Adam Ridley, an executive director at Hambros and deputy chairman of the Association of Lloyd's Members, will fill one of the external seats available. Mr Jonathan Agnew, chairman of investment trust LIMIT, a corporate investor in Lloyd's, was unopposed in representing corporate capital. Mr Ian Agnew, deputy chairman of Wellington Underwriting Agencies, and Mr James Sinclair, managing director of the members' agent Willis Faber & Dumas, were also elected. Mr Peter Nutting will fill the post to be left vacant by Mr Michael Deeny's departure next year. *Christopher Adams*

■ BBC

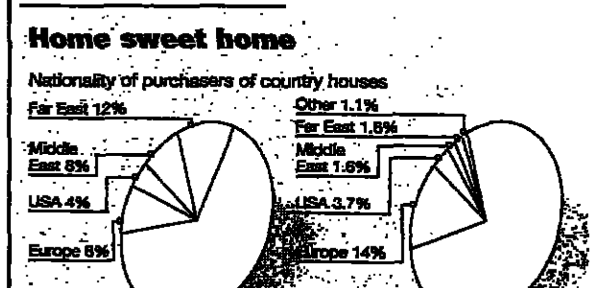
Licence fee to be linked to prices

The BBC, the public broadcasting organisation, said yesterday it might have to to ask the government for more money after the government announced a five-year deal which will increase the licence fee in line with retail prices. The BBC is financed by a state levy on all users of television sets. Depending on inflation, the settlement will guarantee the BBC income of more than £9bn over the period. The government rejected a plea from the BBC that it should have a licence fee settlement above the rate of inflation to try to it falling behind others parts of the industry. Mr John Birt, BBC director-general, acknowledged that the settlement provided a strong platform to launch new digital services. *Raymond Snoddy*

Editorial comment, Page 13

■ COUNTRY HOUSES

Home sweet home



Sharp drop in Far East buyers

More than a quarter of non-UK buyers of country houses in Britain "were from behind the former iron curtain", says Knight Frank, the national chain of estate agents. Mr Rupert Sweeting, a partner in the agent's country homes department, said there had been a sharp drop in Far Eastern buyers. Most non-UK buyers purchased properties in counties around London which had good access to international schools and to Heathrow and Gatwick airports. Knight Frank says in its latest survey of the country house market that there has been an upsurge in British buyers, who are buying in greater numbers than at any time since the 1980s.

Knight Frank attributed the increase in British buyers to the return of bonuses in the City of London, the strengthening of the UK economy and lower borrowing costs. *Andrew Taylor*

State veterinarians protest at reform

By Alison Maitland and Maggie Urry

Government moves to reorganise the state veterinary service will weaken the control of animal disease and jeopardise attempts to end the worldwide ban on sales of British beef, veterinarians' leaders warned yesterday.

Mr Bob Stevenson, former president of the British Veterinary Association, said veterinarians in many European countries scorned UK attempts to negotiate an end to the ban "when at the same time we take an axe to the structure of our state veterinary services".

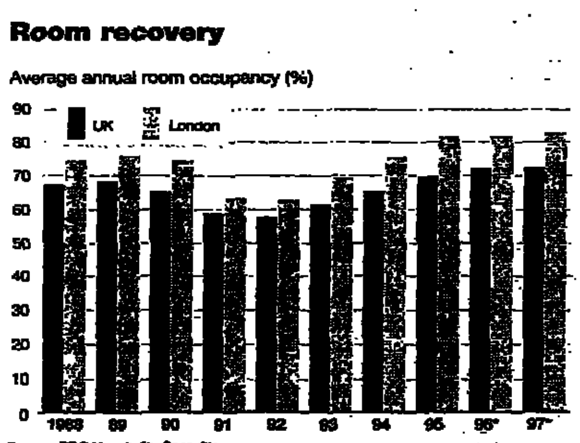
He added: "Europeans will continue to play politics with Britain just as long as the British government plays politics with the state veterinary service." His claims were rejected by Mr Douglas Hogg, agriculture minister, who said there was "no mention in Brussels" about changes in the UK veterinary service.

The vets' leaders emphasised there had been a "dramatic decline" in the incidence of bovine spongiform encephalopathy – "mad cow disease" – in the UK and said strong controls were now in place. "It's vitally important that all the procedures that have been put in place are seen to be working effectively," said Dr Karl Linklater, association president.

The vets are angry at government plans to change the status of the veterinary field service, which enforces animal health checks, into an executive agency outside the government machine. Last year the government merged the veterinary investigation service with the Central Veterinary Laboratory into a single agency.

Professor Peter Biggs, vice-president of the association, said the field service was the "front line of defence". Turning it into an agency would further weaken links between vets and the services that are meant to oversee and support them. "Anyone remotely connected with agriculture and international trade will tell you that this is not the moment to dilute controls."

Hoteliers experience best season since recession



By Scheherazade Daneshkhu in London

Increased economic confidence has helped give hoteliers their best season since the recession and Gulf War in 1991 devastated profits and put many companies into receivership.

BDO Hospitality Consulting, the London-based hotel consulting group, expects average occupancy rates of 72 per cent this year – higher than before the early 1990s recession. Average room rates are forecast to rise to £54 ($91) from £50 last year. London, which has benefited from a record influx of tourists, is expected to achieve 83 per cent occupancy rates and £100 average room rates. BDO says increased economic confidence has strengthened demand for conferences and training programmes, while a relatively weak currency has made the UK attractive to visitors.

Mr Stuart May, chief executive of the hotel consultancy division at Pannell Kerr Forster, the accountancy firm, says the increase in prices this year has also been helped by Granada's willingness to raise prices at the mid-market Posthouse and Travelodge chains following its £3.9bn takeover of Forte in January.

As the UK's largest operator, Forte was able to set the pace in pricing and operated a single national weekday rate for its Posthouse mid-market hotels. Many competing companies were unable to raise prices for fear of losing customers.

Many companies, including Thistle, the UK's second-largest company, Jarvis Hotels and Millennium & Copthorne, have raised money this year with stock market flotations to raise funds for investment and to pay down debt.

● The UK's £37bn ($62bn) tourism industry is being held back by planning permission requirements and a lack of government investment, according to a survey from the Confederation of British Industry, the main employers' lobby.

Businesses said the planning system was slow, costly and unpredictable. CBI chief Mr Adair Turner is to make representations to Mr Kenneth Clarke, chief finance minister, over cuts in the budget of the British Tourist Authority.

ARTS

Cinema/Nigel Andrews

A winner against all odds

EVITA
Alan Parker

ROALD DAHL'S MATILDA
Danny DeVito

THROUGH THE OLIVE TREES
Abbas Kiarostami

THE UMBRELLAS OF CHERBOURG
Jacques Demy

Madonna as Evita: 20 years in the conceiving, 20 months in the shooting and the verdict is – a miracle

Welcome to the Great Movie Musical Handicap. The course rules are as follows. The race will be run over 2¼ hours passing through a disused movie genre. The main female runner must be pregnant; the main male runner must wear a false nose; and two key thoroughbreds from the same stable, "Really Useful Webber" and "Red Rice", must not be on neighing terms with each other.

Evita the movie has been 20 years in the conceiving and almost 20 months in the making. It has every possible odd stacked against it. And it is, not to delay the verdict, a miracle.

Speaking as one who has never seen a Lloyd Webber musical on stage – I like the songs but am happy to hum my own scenery – I feared an ordeal by cod-Argentinian sets and an overextended, in all senses, pop diva. What do director Alan Parker and Madonna do? They shoot right there in Buenos Aires, with some well-matched fill-in shots in *belle époque* Budapest. And they create a title heroine who seems large only with history and talent.

Madonna's Evita is beautifully sung, forthrightly characterised and wonderfully moving at the close, when "Don't Cry For Me" is vibrant with barely held-back tears. The song is also delivered right there – sometimes only the real thing will do – on the famed Casa Rosada balcony.

A through-sung score was rare enough even in the days when musicals were fashionable. Parker softens us up with a flash-forward prelude at once disorienting and busily cumulative: a movie-show interrupted by news of Evita's death, giant crowd scenes, the lying-in. From this we are spun off with only minor giddiness into the first full number, sung by Antonio Banderas as the chorus figure Che.

Thenceforth the film barely puts a foot wrong; nor a larynx, nor an eye. It was bold bordering on reckless to hire Darius Khondji as cameraman, the dark magician of *Seven*. He likes grain, charcoal-and-lemon colours and deep deep shadow. (His style makes *The Godfather* look like poster art.) But Khondji's surreal realism pares away any anti-musical literalism from the movie, allowing Madonna, Banderas and Jonathan Pryce's Peron to weave in and out of a richly ambiguous tapestry of myth and history.

Whirling newspaper front pages, Warner Brothers-style, serve as political exposition, though of that I would have liked a little more. If we are to be dunked in mid-century Argentine history, why not explain it? We clutch at hints of revolution, industrial unrest and Rainbow Tours, when a few ticker-tape subtitles might have cleared things up without pain. Or perhaps Parker assumes we all did our homework at the time of *Evita* the stage show.

It is the only quibble. The film works and so does the nonstop music. Indeed it may work better than a book-and-numbers score for a generation brought up on MTV not MGM. Music-video addicts are not used to plain speech interrupting the wall-to-wall warblings. From another perspective too, if Webber-Rice's Puccinian *dramatis personae* comprising a dictator, an impassioned consort and a street hero (theme and variations on *Tosca*?) ever did stop for some unsung badinage, the whole pop-verismo fabric might collapse around them.

While keeping a hint of operatic otherworlds, Parker fills his crowd and location scenes with native plausibility. The faces *look* Argentinian, the passions sound Argentinian. We sense a world of subtropical fever politics where a woman's popularity can turn, and turn again, on a coin.

I scribbled down the line from one song, "The best show in town is the crowd," for possible review use. But finally the best show in town is Madonna. She makes Evita Peron a flirt, a dreamer, a whore, a social climber and a martyr. Could anyone else do that, while singing with the voice of an angel both *in extremis* and *in excelsis*?

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Roald Dahl's *Matilda* is directed with rich abandon by Danny DeVito, who also stars. The wide-screen frame is choc-full of colour, the performances fizz and whistle, the gags are inventive: it sounds too good to be true.

It is too good to be true, or at least to last. This is a front-loaded film that runs out of spin and stamina. In the last half hour, as telekinetic heroine Matilda (Mara Wilson) and goodhearted schoolmistress Miss Honey (Embeth Davidtz) put the frighteners on neo-Nazi headmistress Trunchbull (Pam Ferris), pranks and pratfalls proliferate till our eyes glaze. We say: "Right, we have got the point. Objects can levitate, fat ladies can fall on their faces and portraits can fly through air. What else is new?"

The film begins at mach-2 and breaks up trying to reach mach-3. The first half hour, though, is wonderful. De Vito and real-life wife Rhea Perlman paint in broad cartoon strokes Matilda's telly-watching, junkfood-guzzling parents, while at school Ferris's gorgon is lent pantomime panache by wide-angle lenses and camera movements that crane up her Amazonian façade like a scenic elevator.

As a director DeVito shows manic comic energy, here as in *The War Of The Roses* and *Throw Momma From The Train*. But manic energy is not a long-distance runner. Only Mara Wilson's Matilda, the little girl whose vice is wanting to read good books ("Moby *what*?!" roars her father), is allowed to keep her head. All those around her have theirs blown up by bulging lenses or accessorised – here a fright-wig, there a henna'd moustache – by a make-up department evidently run by Mr Potatohead.

DeVito has a comic masterwork in him somewhere. But he may need a strong producer to issue restraining orders, and also to question the wisdom of the actor both narrating and starring. On *Matilda*, though, the four-man producer team is led by Danny DeVito.

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The latest foreign director to have a welcome mat put out by British arthouses is Iran's Abbas Kiarostami. Times are hard, we know; but are Kiarostami's meandering peasant sagas, full of Pirandellian footnotes on reality and illusion that sometimes take up the whole page, really the stuff to give the brain-starved?

Through The Olive Trees caused ripples of mild surprise and pleasure at Cannes last year. But there are days of suffering at film festivals when anything would do that. *Olive Trees*, a gentle mockumentary about a director revisiting a village he once filmed in, has one sequence that is spellbinding: the growing desperation of a movie crew with a young actor who forgets his lines take after take after take. But it is spellbinding, I would guess, by accident not art. Elsewhere Kiarostami's serendipitous style snares as many longueurs as revelations.

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For Christmas there is always *Les Parapluies De Cherbourg*. Jacques Demy's 1964 musical, set in a French port with not a striking lorry driver in sight, takes us back to the sweet, gone days of song, pastel colouring and a young Catherine Deneuve. Michel Legrand's score is hummable and the colours have been restored. Treat yourself.

Concert

Wind and ivories

Radio 3's much-loved series of Monday lunchtime concerts at St. John's, Smith Square, which allow the vastly larger radio audience to hear first-class recitals performed to a live, appreciative hall, is a boon for music-lovers who work or live in SW1.

This series is not "mere" lunchtime fare. On Monday, for example, we had three ultra-cheerful works for wind quintet and piano, a sort of pre-Christmas bonbon that might have been delivered by any number of good performers. The artists here, however, were Pascal Rogé, one of France's most scrupulously imaginative pianists, and the "London Winds", a faceless label which masks five of the best wind-players in Britain.

The five winds led off with Samuel Barber's early *Summer Music*, which still sounds like one of the few pieces that are both perfectly conceived for the medium and rewarding to hear. The obvious constraints on woodwind-quintet writing (always including a French horn), as against five infinitely more flexible strings, became as nothing; crooning and chirruping, these delectable wind-voices created their own homely scale and chamber-style.

Then Rogé joined them for Poulenc's racketty vaudeville-Sextet (1932, much rewritten in 1939-40). A quarter-century ago, respectable British musicians would have regarded that as "slumming": now it is recognised as the most successful piece so far composed for the medium, broad and even deep beyond its music-hall manner. Led by Rogé with sidelong wit and energetic cunning, all the players rollicked happily in it.

The problem with Poulenc's Sextet is that it deserves to share a programme with something worthy but different for the same forces. Mozart's immortal piano-and-wind Quintet, K.452, means exiling your flautist to the Green Room, which seems uncivil. Rogé and the London Winds found an extremely engaging alternative, new to me: a sextet by Ludwig Thuille (1861-1907), whose fame rests otherwise upon his string of whimsical operatic failures.

He was evidently an excellent musician. While writing this sextet Thuille fretted to Richard Strauss about the severe practical problems of the medium, but he triumphed over them. It is well-made, comfortably expansive and stuffed with bland but appealing tunes and local touches (like the Magyar or gypsy strains in the 3rd movement). More a work for piano *versus* small wind-band than a real "chamber" work with multiple voices, it still sounds gorgeously balanced and fresh; it could be just the filler that every winds-and-piano sextet needs.

David Murray

Ballet/Clement Crisp

'Nutcracker' with a Soviet slant

The Kirov Ballet is back in London, at the Coliseum, with – no surprise – a Christmas offering of *The Nutcracker*. The points of interest about the season are the presence of several young apprentice ballerinas to strut their aspirant stuff through the closing pas de deux, and the fact that this is the first time that London has seen the full text of Vasily Vainonen's staging.

Vainonen (who died in 1964) was one of the creators of Soviet ballet during the 1930s. His first work was the politically suspect *Golden Age* of 1930, soon lost to some artistic gulag because it minimised the significance of workers' conflict. Happily, two years later, he produced an ideological winner with *The Flames of Paris*, which has a splendidly triumphant rabble racing through Versailles and sending Louis XVI and his minions to perdition. In 1934 he made a new *Nutcracker* for the Leningrad Ballet, which is what we are now seeing, and in 1949 a jolly *Mirandolina*, based on Goldoni's comedy. This the Bolshoi brought to Paris in the 1960s with the prodigious Olga Lepeshinskaya as heroine – her performance one of the most stunningly brilliant in bravura and charm that I have ever seen.

I provide these comments about Vainonen since the Coliseum programme is wholly uninformative about him, not even mentioning the fact that he staged the *Nutcracker* on view, and also ignoring Simon Virsaladze, who is responsible for the design. Not good enough! Not good enough at all!! Vainonen's *Nutcracker* is characteristic of its time in trying to persuade us that the narrative has some socially relevant aspects, and that (as Soviet commentators would have it) the ballet is a spiritual journey by Clara (called *Masha* in Russia) towards emotional (and, perish the thought, sexual?) maturity. To all of which, pah! It is a pretty tale, daintily filleted from Hoffmann's grotesque *Nutcracker and Mouse-King*, which has nothing to do with anything except the marvel of Tchaikovsky's score and some glorious set-pieces by Lev Ivanov, the original choreographer in 1892.

Vainonen was influenced in his staging by an earlier Moscow version by Alexander Gorsky, who turned Tchaikovsky's musically coherent two acts into three (something repeated, unwisely, in this Kirov staging) and set about up-grading the action as a girl's emotional journey. Thus, the child Masha becomes a ballerina for the last duet, her Nutcracker doll turning into a prince (and, we suppose) suitor. I think this simple-minded de-coding of *Nutcracker* an exercise about as useful as building a life-size model of the Taj Mahal from spent matches. What audiences seek is not coherent narrative (if so, they would not watching *The Nutcracker*) but dance delights to match the musical joys of the score. And does Vainonen provide this? Up to a point, Lord Copper.

There is a dull mouse-battle, and some later attempts to scare the living day-lights out of Masha with the appearance of four unlikely bats (so badly lit that it took the eye of faith to see them). But there is, too, the Kirov corps in the snow-flake scene, an incident obligingly omitted from a programme synopsis that talks of "Fairyland" – which is where they found the synopsis, I'd guess. This is fine, albeit the women's shoes clatter enough to drown the orchestral pianissimos. There are the usual divertissements, decently done. And there is the final pas de deux, which has been part of Kirov divertissement programmes in the west for years.

It has acrobatic moments – some omitted in this staging – first beatified for me by Irina Kolpakova, purest of Leningrad stylists in the 1960s. Thrown, literally thrown, in high lifts between four cavaliers, she soared and floated like thistle-down, infinitely gracious, utterly secure. At Tuesday night's opening, the role was taken by one of the company's hopefuls, Diana Vishneva. She is charming, very bright in technique, pretty, wearing ugly shoes, and she does everything she is supposed to. She smiles radiantly, and her dancing has the qualities we must now expect with a new generation of Kirov danseuses: over-stretched *extensions, long line, extreme* youth. Her performance was pleasing, and singularly devoid of authority. Immaturity, a slight gaucheness, may be what the character is supposed to possess: in the ballerina, I find these oddly unsuitable. (I thought of Markova and Danilova in their radiant maturity making so much sense of this music in the real Ivanov version. I thought, too, of Kolpakova's grandeur, and knew why you should not send a girl to do a woman's work). Vishneva was partnered by Farukh Ruzimatov, at his most serpentine in posture.

The chief delight of the evening for me was the way the party-scene – which occupies the whole of an arbitrary first act – was played by the Kirov ensemble. The setting is basic, the costuming pastel and improbable, the boys are played by girls, and Drosselmeyer is dull. But with what calm and clarity is the action presented. No-one on stage seems to act, yet we see a subtle *concertante* ensemble in which simple poses, light gesture, have a serene assurance. Nothing much happens, and yet because everyone on stage behaves with such decorum and exquisite manners, you sense *the world of the Stalhbaum household* with none of the grotesque dramatics that blight every western production. It is performance as beautifully considered as Tchaikovsky's music, and is clearly second-nature to the Kirov artists. (It is the same way they play the courtiers in *Swan Lake* and *Sleeping Beauty*: the Winter Palace is not far away).

The lighting at this first performance was errant. The score sounded very well – though tempi were oddly stretched – from the Royal Ballet Sinfonia under Boris Gruzin.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERT
Concertgebouw Tel: 31-20-6718345
● Rotterdam Philharmonic Orchestra: with conductor Valery Gergiev perform works by Mozart, Prokofiev and Tchaikovsky; 3pm; Dec 21

EXHIBITION
Stedelijk Museum Tel: 31-20-5732911
● Twintig Jaar Beeldende Kunst in Suriname, 1975-1995: this exhibition gives an overview of the art produced in Surinam over the past two decades. Included are some 135 paintings, sculptures and works on paper, created by 24 artists; to Feb 16

OPERA
Het Muziektheater Tel: 31-20-5518117
● Rigoletto: by Verdi. Conducted by Ed Spanjaard, performed by De Nederlandse Opera and the Nederlands Philharmonisch Orkest. Soloists include Mark Rucker, Martin Thompson, Harolyn Blackwell and Nancy Maultsby; 8pm; Dec 21

■ BERLIN

CONCERT
Philharmonie & Kammermusiksaal Tel: 49-30-2614383
● Kammerorchester Carl Philipp Emanuel Bach: with conductor Hartmut Haenchen and violinist Thorsten Rosenbusch perform works by Pachelbel, Locatelli, Britten, Vivaldi and Molter; 8pm; Dec 21

DANCE
Staatsoper Unter den Linden Tel: 49-30-20354438
● Le Lac des Fées: a choreography by Pierre Lacotte to music by Auber, performed by the Ballett der Staatsoper Unter den Linden. Soloists include Scherzer, Knop, Timptner and Matz; 6pm; Dec 20

■ BRUSSELS

EXHIBITION
Musée d'Art Moderne Tel: 32-2-5083211
● Het Legaat Irène Scutenaire-Hamoir. Van Magritte tot Magritte: exhibition of the entire collection of the late Irène Hamoir-Scutenaire. The collection, which was bequeathed to the museum in 1994, features 292 works by Surrealist artists such as Mariën, Mesens, Eemans, Graverol, Simon and Magritte. The latter artist is represented by 107 works, including 23 paintings; to Dec 22

■ DRESDEN

OPERA
Sächsische Staatsoper Dresden Tel: 49-351-49110
● La Cenerentola: by Rossini. Conducted by Anthony Bramall, performed by the Sächsische Staatsoper Dresden. Soloists include Urszula Kryger, Roxana Incontrera and Martin Gantner; 7pm; Dec 21

■ LONDON

CONCERT
Queen Elizabeth Hall Tel: 44-171-9210600
● City of London Choir: with conductor Hilary Davan Wetton and organ-player/pianist Jane Watts perform Christmas music; 7.45pm; Dec 20
St John's, Smith Square Tel: 44-171-2221061
● Messiah: by Handel. Performed by Polyphony and the Orchestra of Polyphony with conductor Stephen Layton. Soloists include counter tenor James Bowman, bass David Wilson-Johnson, soprano Emma Kirkby and tenor Ian Bostridge; 7.30pm; Dec 21

EXHIBITION
British Museum Tel: 44-171-6361555
● Mysteries of Ancient China. New Discoveries from the Early Dynasties: this loan exhibition from China features important archaeological finds of the last two decades from the neolithic (c. 4500BC) to the Han dynasty (206 BC-AD220). The emphasis of the exhibition is on religious beliefs, especially those concerned with the spirit world and the afterlife. Included in the exhibition are the results of a 1986 find in Guanghan, south-west China, which uncovered evidence of an unknown civilisation dating back to 3,000 years ago. An enormous human sculpture with giant hands, standing nearly 3 metres tall, is one of the most astonishing pieces; to Jan 5

■ LYON

OPERA
Opéra de Lyon Tel: 33-72 00 45 00
● Le Nozze di Figaro: by Mozart. Conducted by Paolo Olmi, performed by the Orchestre et Choeur de l'Opéra de Lyon. Soloists include Michel Denonfoux, Norah Amsellem and Elzbieta Szmytka; 8pm; Dec 20, 22 (5pm)

■ MILAN

OPERA
Teatro alla Scala di Milano Tel: 39-2-72003744
● Armide: by Gluck. Conducted by Riccardo Muti, performed by the Orchestra e Coro del Teatro alla Scala. Soloists include Anna Caterina Antonacci, Lotte Leitner, Adina Nitescu, Violeta Urmana, Donnie Ray Albert, Christian Baumgärtel and Vinson Cole; 8pm; Dec 21

■ NEW YORK

EXHIBITION
The Pierpont Morgan Library Tel: 1-212-685-0008
● A Fine Line, Rembrandt as Etcher: exhibition featuring more than 100 etchings by Rembrandt from the Morgan Library's collection. Rembrandt's career as an etcher spanned more than 30 years, during which he drew upon a broad range of subjects – studies of figures and heads, formal portraits, landscapes, genre scenes, still lifes, and stories from the Old and New Testaments. All are represented here. Comparisons are also made between different states of the same etching. The main emphasis of the exhibition is on works from the later years; to Jan 5

■ PARIS

EXHIBITION
Centre Georges Pompidou Tel: 33-1-44 78 12 33
● Dessins de sculptures: exhibition featuring sculptural drawings from the museum's collection; to Dec 30
Fondation Cartier pour l'Art Contemporain Tel: 33-1 42 18 56 50
● Double vie, double vue: this exhibition comprises some 150 works by 60 international photographers, along with a canvas by Jean-Olivier Hucleux and video films, and covers the entire field of "An Art for Two", one of the three themes put forward for the French "Mois de la Photo" 1996. Included are portraits of twins by artists such as Diane Arbus, Laura Samson-Rous, Imogen Cunningham, Pere Formiguera and others, as well as works by photographers who work in pairs including Felten and Massinger, Aziz and Cucher, Van Lawick and Müller, McDermott and McGough, and Minkoff and Olesen. From January 10 to 16 March 1997 the exhibition will be on show again, at the same location; to Dec 29

■ WASHINGTON

EXHIBITION
Corcoran Gallery of Art Tel: 1-202-638-3211
● The Moscow Studio 1991-1995 – New Russian Printmaking: this exhibition presents a broad spectrum of ideas expressed through printmaking, by contemporary artists working today in the former Soviet Union. These artists come from many different backgrounds and have diverse points of view about art and society that address many issues; to Dec 30

■ ZURICH

CONCERT
Tonhalle Tel: 41-1-2063434
● Tonhalle-Orchester: with conductor Fritz Näf, soprano Anna Soranno, alto Andreas Scholl, tenor Steve Davislim and the Basler Madrigalisten perform works by J.S. Bach, Handel and others; 3pm; Dec 22

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Financial Times Business Tonight

Economic Viewpoint · **Samuel Brittan**

The merits of self-interest

Professional practices are not always superior to commercial ones and pursuit of 'good clean money' is often better than 'bad, dirty power'

To put myself in the right mood for Christmas I have been reading a paper by David Vines, a thoughtful Oxford economist, entitled *Concernedness, Trust and Responsibility: Integrity and the Economy.*

It contains, as one would expect, many interesting ideas. My sympathies were, however, strained when it came to the inevitable reference to Lady Thatcher. Mr Vines quotes uncritically from a colleague who relates "how marvellously Mrs Thatcher went down in Asia. And they loved her when she came to talk to them about self-interest, ambition and getting on.

"But they saw her through the prism of social and cultural restraint as background conditions in the pursuit of self-interest. They did not see that she did not respect these things. And she did not see that they did not see this."

Mr Vines disarmingly admits he has never met Lady Thatcher and was using her name as a symbol. How then does he know she does not respect social and cultural constraints?

Oxford dons who pontificate about higher values should behave with a little elementary justice towards the former prime minister whom they refused an honorary degree in an orgy of small-mindedness.

Lady Thatcher has been out of office for six years. But only now, gradually and reluctantly, is the academic establishment shifting its opprobrium from this hate figure which personified to them self-seeking greed. Now the target is what such opinion regards as the selfish pursuit of the "bottom line" in business. That expression has come to serve as a caricature for a certain kind of business executive who is interested only in short-term costs and neglects the quality and development of the product. Unfortunately the venom of the academic establishment attack is directed not merely against macho-managerialism, but the whole concept of the profit motive.

For the chattering classes in general this presents no problem. But for economists, it is a challenge. Their mainstream teaching assumes businesses want to maximise the present value of their equity. More fundamentally it assumes individuals try to do the best they can for themselves – nowadays known as maximisation of utility. Those economists who share the prevailing high-minded distaste for individualism and look to Tony Blair to substitute community are thus acutely uncomfortable with the intellectual foundations of their own subject.

A notable example is John Kay, director of the Oxford School of Management Studies, known for supporting the stakeholder approach to corporate leadership. It soon becomes apparent he is not that concerned with reforming company law. His main hostility is reserved for what he sees as individualistic ethics.

He would like company executives to be more like professional men and women such as doctors, teachers and civil servants. He believes a company such as Imperial Chemical Industries should concentrate on "the responsible and innovative application of chemistry", with profitability merely a means to an end. (See his lecture *A Stakeholder Society – What Does it Mean for Business?*)

The philosophical error of this communitarian approach is to equate individualism with selfishness. An individualist pursues self-chosen goals, which might comprise anything from a yacht to the pursuit of religion or lifetime devotion to good causes. The latter are not what are normally known as selfishness.

Does this mean that a saint should play the market game to win and show saintliness in what is done with the proceeds? It depends on the kind of saint. The kind who believes in giving no thought for the morrow and annihilating his personal identity is hardly likely to be a corporate executive or concerned with his own income. But the more valuable kind, concerned with promoting the welfare of his fellow men, will strive harder than his more worldly counterparts to maximise the resources available for good works.

But there is a more mundane question. How should a follower of Prof Kay price products, decide on which new lines to promote or how much and in which direction to invest? One difference between the work of a company doctor and a medical doctor is that the latter has some received wisdom to go by for his duties and priorities. A corporate leader has to decide what the business's fields of endeavour are to be.

Part of the stakeholder-communitarian fallacy arises from an absurdly naive idea of how upholders of the opposite point of view seek to maximise shareholder value. I do not ask whether this article is going to increase the value of Pearson shares – nor, I hope, does the editor. But he knows that if the Financial Times does not eventually make a return on its assets comparable to that of alternative investments there is going to be trouble, as there would be even if Prof Kay were the chairman.

Behind the sparring is the unquestioned belief that professional values are invariably superior to commercial ones. But professional bodies have their inherent deficiencies: if left to themselves, they often try to keep out new people and ideas and enforce restrictive practices. If an incident at a hospital, school or government department is investigated by fellow professionals, the result is too likely to be a whitewash. Such suspicions lie behind the establishment of ombudsmen and bodies such as the Police Complaints Authority.

Many academic communitarians are also opera lovers. Have they forgotten the professional guild of the Mastersingers of Nuremberg who tried to keep out new influences and new types of song and verse from their guild? It was no free market ideologue but Paul Samuelson, the Democrat Nobel Prize-winning economist who preferred "good clean money" to "bad dirty power" *(Problems of the American Economy).*

The communitarians have one argument that needs to be taken seriously. This concerns what happens if the guiding economic principle is individual self-interest in the market place and the correction of market failures is left to law, taxes or other government policies. There is a danger of an arms' length society developing in which no-one is given any benefit of the doubt, everything has to be specified and litigation is the biggest growth industry.

But there is no reason why market relations should exclude an element of trust. Market liberalism is a sophisticated creed – indeed that is its problem. The pursuit of self-interest is subject to constraints, not only by the law but by the normal rules of good behaviour and fair dealing. One may hope that the present ultra-legal phase will prove a passing one – or at least a peculiarly American aberration. Companies may come to see trust as more valuable than a contract with pages of small print.

It is obvious that a competitive market excludes the shooting of competitors. It is not obvious to the busy executive that it must also exclude the formation of price-rings or mergers which have the object of establishing monopoly. These are all areas in which it would be better to have a business code supplementing the very imperfect anti-trust devices which are easily subverted by politicians.

This is only one example of the way in which the present debate is riven with crass oversimplifications. Actions are divided into two kinds: selfish ones deemed bad and unselfish ones deemed good. Left out altogether are the truly atrocious deeds which have more often been committed through self-righteous commitment to ill-conceived moral codes than deliberate selfishness and greed.

As Bertrand Russell remarked, there are more circumstances in which great bodies of people will fall below selfishness than in which they will rise above it. The grand inquisitor in 16th century Spain sincerely believed the highest goal was the protection and advancement of the faith – and ruthlessly consigned those who stood in the way to the *auto-da-fé.*

Samuel Brittan's Capitalism with a Human Face *has just been issued in paperback by Fontana Press, £8.99*

Michael Skapinker

AIRFRAME, By Michael Crichton
Century, 352pp, £16.99

A seatbelt ripper in the arrivals lounge

Even the calmest flyer can start to panic while sitting in a window seat near the wing on an overnight flight. It is the way the wing bends as it cuts its way through the night and the huge engines beneath it seem to bounce.

At that point, thousands of feet above the ocean, we ask ourselves: how can this metal tube be so heavy, carry all these people dozing in the gloom around us with their suitcases, golf clubs and baby buggies – and still not fall out of the sky?

The companies that make these flying beasts do not venture aerodynamic explanations when trying to reassure us. Instead, they pull out tables showing the number of deaths from various causes: car crashes, falls, drownings, chokings on food, firearms mishaps and bicycle accidents. All cause more deaths than aircraft crashes.

Yet there is something about the lack of control we have on an aircraft – and a sense of how unnatural it is for wingless creatures to fly – that defeats all attempts by the manufacturers to calm us.

Particularly this year. A TWA Boeing 747 exploded in the summer after taking off from New York, killing 230 people, and no one knows why. Was it a terrorist bomb, a defective fuel tank or a missile fired mistakenly by the US military? And if it can happen to those 230 people, why not us?

Michael Crichton, author of *Jurassic Park*, has a keen instinct for such popular fears. We will hear a lot about this, his latest novel. The film rights have already been arranged – it will be produced by Michael Crichton. He will have us gripping the arm rests, both in the cinema and the next time we fly.

The story begins with two young Americans and their baby flying back to Denver from Hong Kong after a year in China. They are travelling on Flight TPA 545, operated by TransPacific Airlines, a Hong Kong carrier.

Disaster strikes. Flight TPA 545 does not crash. Instead it bucks uncontrollably, throwing its passengers to the ceiling and then dashing them to the floor – splattering the interior with their blood and belongings. Three people die and many are injured.

This raises topical business questions. Norton, the fictional company which made the aircraft, is about to announce a huge sale to China – the country that every real-life manufacturer believes holds the key to future prosperity. If Norton completes the sale, it will have the money to build a new generation of large aircraft.

The China sale looked solid until Flight TPA 545. But the Chinese will not buy an aircraft which is dangerous. And Norton has had problems with this aircraft before.

Someone has to get to the truth. There is no time to spare. The Chinese are about to make up their minds.

Who can save the day? Enter Casey Singleton, divorced mother of one, crack member of Norton's accident investigation team and bedmate of Teddy Rawley, the company's chief test pilot – when, that is, he has time to take off his cowboy boots.

Casey faces danger at every turn. Who are the goons who follow her through darkened hangars and hang around her house at night?

Is the young relative of the Norton family that founded the company really on work experience or is he up to something more sinister? How can journalists be allowed to trash Norton on air when they clearly do not know the difference between a proximity sensor and the Pacific Ocean?

None of the characters rings true, except the media coach who appears briefly to train Casey for her showdown with Newsline, a sensationalist television programme. No matter. We turn the pages excitedly as Casey cracks her case.

Until the very end, that is, when we stop in disbelief. Because Crichton, master storyteller, has not bothered to make up the conclusion. He has borrowed it from a real accident – quite a recent one which had a cause so unusual it cannot have failed to stick in the minds of anyone remotely interested in aircraft.

If you were not reading the newspapers that year, you will enjoy this book. Otherwise, it will be a dreadful anticlimax.

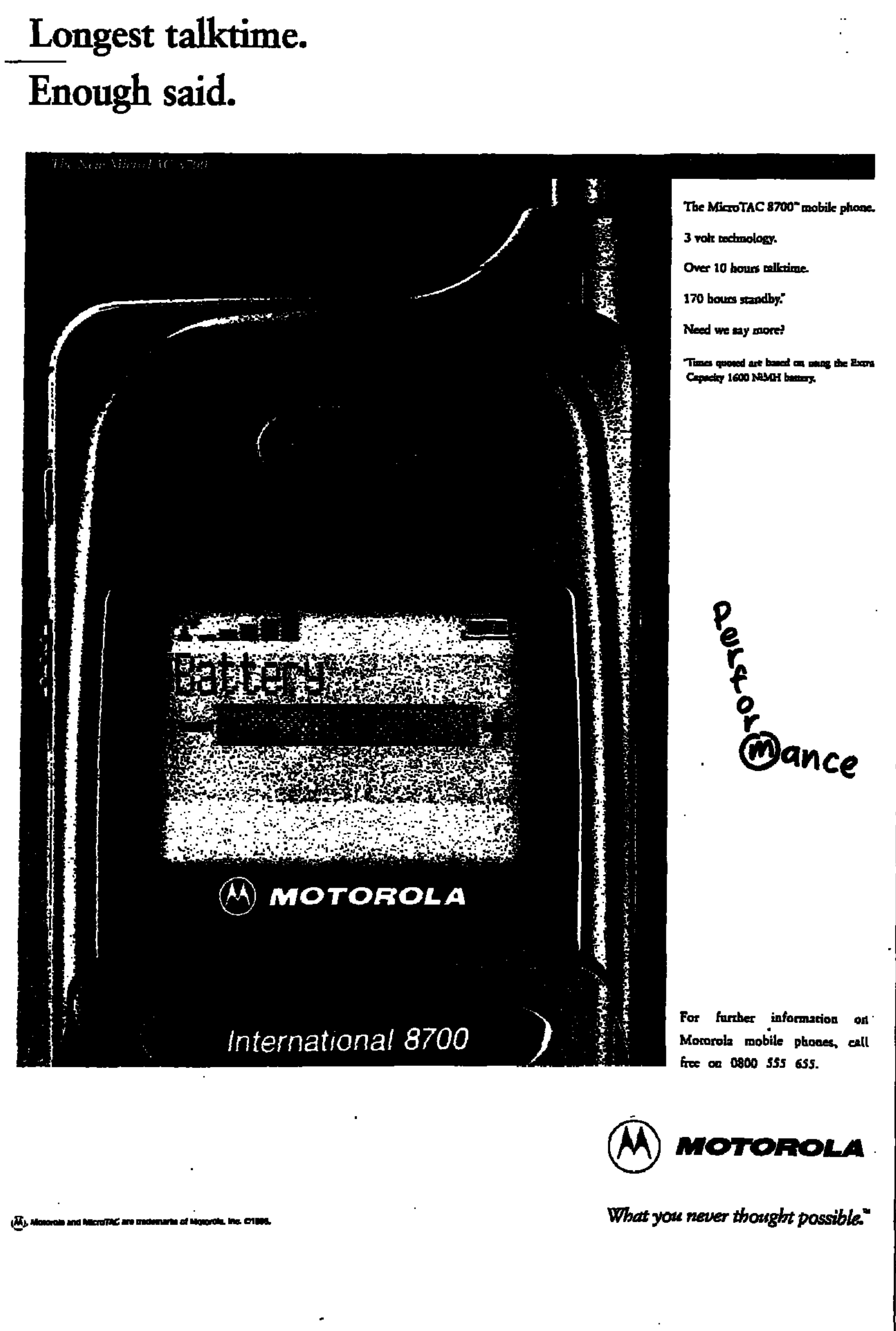
There are other interesting themes that Crichton chances upon, but then fails to pursue. One of Norton's aged employees, who has seen it all, asks what we want from airlines and aircraft.

Flying in the US has been completely deregulated and will be soon in Europe too. New airlines have appeared, flights have become cheaper, many more people can afford to fly.

When people paid more to fly in the old days, he says, they got something valuable in return. "We paid to have new, safe planes and we paid for the oversight to make sure they were well maintained. But those days are over. Now everybody believes in something for nothing."

A subject to ponder as we fly onwards through the night sky.

Airframe *is available from FT Bookshop by ringing FreeCall 0500 418 419 (UK) or +44 181 964 1251 (outside the UK). Free p&p in UK*



LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). e.mail: letters.editor@ft.com Published letters are also available on the FT web site, http://www.FT.com
Translation may be available for letters written in the main international languages.

Aid an attractive Emu prospect

From Dr Jörg Schimmelpfennig.

Sir, While Professor Layard correctly identifies the main reason why entry into the exchange rate mechanism increased unemployment in the UK and worsened the balance of payments, he fails to see that the very same argument – the dangers of overvaluation – can be turned against European monetary union ("False fears about Emu," December 18).

True, it shouldn't be too much of a problem to find the correct exchange rate at the time of entry. But there is no way to prevent members' economies diverging at some later point in time in just the same way the regions within a single country have diverged over time. Then, however, the once and for all fixed exchange rate will turn out to be wrong.

In theory, Prof Layard is right to argue that a country's ability to compete is determined by both its exchange rate and its wage level. In practice, however, any attempt at turning the latter into a policy instrument hardly seems politically feasible.

Given its past record, Germany will be the one country most likely to gain in terms of increased exports, while some of the Mediterranean countries will be the ones more likely to lose. As the running of excessive budget deficits will be forbidden under the new rules, the only available way to help their economies will be to increase regional aid. Perhaps this prospect is what makes such countries enthusiastic to join Emu – and is also what should make the UK wary.

Jörg Schimmelpfennig,
department of economics,
Osnabrück University,
D 49069 Osnabrück,
Germany

Signal for a change

From Mr Jeremy Wagener.

Sir, The findings of the European Court of Human Rights in the case of Ernest Saunders surely point towards a change in the way complex fraud cases should be tried ("Ex-Guinness chief wins rights appeal," December 18). Calling the UK Department of Trade and Industry evidence inadmissible because it was "compulsorily obtained" may be legally correct but it seems a bizarre conclusion when the truth is so hard to establish.

Should we not abandon the confrontational (and somewhat theatrical) system of justice with its expensive counsels for defence and prosecution and go instead for an inquisitorial system where the sole aim is an unrelenting search for the facts?

This could still take place before a jury which might have at its disposal two experts to guide it through the complexities.

Jeremy Wagener,
Fairfield,
Silver Street,
Stansted Mountfitchet,
Essex CM24 8HE, UK

'Stolen' information distinction

From Ms Susan Singleton.

Sir, Your article "Hard case to crack" (Management, December 13) examined protection of confidential information and the Volkswagen/General Motors case. It described confidential information as "intellectual property" and so did the accompanying cartoon.

In law such information is not intellectual property like copyright, patents and trade marks. Instead, it is protected by the common law of confidence (and contract where a contract exists). If disclosed, it is no longer confidential and thus not usually protected as such. It is not property for stamp duty and other purposes so the distinction is of some importance.

Those dealing in "stolen" information should also note the new criminal offence of procuring and selling personal data contrary to the Data Protection Act. The first prosecution was made at the end of July 1996 when a fine was levied.

Susan Singleton,
principal,
Singletons Solicitors,
Eagle House,
67 Brooke Avenue,
Harrow,
Middlesex HA2 0ND, UK

Gibraltar not cause of border problem

From Mr J.J. Bossano.

Sir, In the article "EU summit will have a populist flavour" (December 12) you stated: "A convention for establishing one external border remains on the table because of British problems over Gibraltar."

This totally misrepresented the real position. The external frontiers convention was ready for signature in 1991 and vetoed by Spain, which demanded as the price for its signature the exclusion of Gibraltar.

The UK government did the honourable thing and rejected the totally unjustified Spanish demand. This has led to a stalemate ever since.

It would be a disgraceful state of affairs if Gibraltar were to be kicked outside the EU borders, having joined in 1973, at the insistence of Spain which joined in 1986.

We would expect the UK to veto any agreement which excludes Gibraltar.

J.J. Bossano,
leader of the opposition,
Leon House,
Secretary's Lane,
Gibraltar

On the heap

From Mr John Beck.

Sir, Mr Desmond Keating raises a valid point (Letters, December 17). Mr George Soros may well need a larger wheelbarrow, but only time may tell whether it is sterling or the euro he is transporting to the compost heap.

John Beck,
28 Warwick Square,
London SW1V 2AB,
UK

Length of McDonald's case only sets record in England

From Mr Michael Payton.

Sir, Robert Rice ("McDonald's libel case ends after 314 days", December 14/15) is too Anglo-centric by far.

The McDonald's case may well be the longest in English legal history, but not, by a long way, in British history.

My firm has been heavily engaged in a dispute among parties involved with the Piper Alpha disaster.

The trial of this action has just finished in the Court of Session in Edinburgh, after 391 days – 77 more than McDonald's and 100 more than the Tichborne Case.

Lord Caplan has taken the case "under advisement", and we hope for judgment next year.

The English press does not seem to have noticed this judicial marathon.

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FINANCIAL TIMES
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Thursday December 19 1996

Wake up call for Peru

The attack by leftwing guerrillas on the Japanese ambassador's residence in Lima is a severe blow to the prestige of President Alberto Fujimori.

It calls into question the government's boast that the country's terrorist groups are a spent force. It also suggests a severe lapse in intelligence, one of the areas of a generally ineffective government that was supposed to be functioning adequately.

However, it would be a mistake to draw parallels with other active guerrilla movements in Mexico and Colombia, and to connect these movements with a supposed populist backlash against market-oriented economic policies across Latin America.

Each of the movements has its origins in the particular circumstances and history of its country. That such groupings exist indicates problems that must be addressed, but generalised conclusions about Latin America drawn from their resurgence should be avoided.

Mr Fujimori has been the author of a remarkable transformation in Peru since he took office in 1990.

Hyperinflation has been tackled, the economy has enjoyed growth – though at a significantly slower rate this year than in the previous three – and the terrorism that was racking the country has been subdued, though obviously not defeated.

His achievements are accompanied by significant political failings. He has concentrated power in himself and a small coterie, and has undermined all potentially competing authorities in the country. As a result, the rule of law has little meaning – the president dissolved congress and closed the judiciary in 1992.

Moreover, Peru's inadequate government institutions – such as its poorly functioning and corrupt judiciary – make it almost impossible for ordinary citizens to win redress when they are wronged. The government has tolerated human rights abuses by army, police and intelligence services in their fight against the guerrillas.

All this weakens the legitimacy of the government in the eyes of citizens; it gives fuel to guerrilla movements and makes it harder to address the underlying problems from which terrorist groups spring.

Though his poll ratings have fallen in the last year, Mr Fujimori remains by international standards a popular politician. This week's incident should make him pause and reflect on other leaders who think they have all the answers to their country's problems. Peru needs institutions of state other than Alberto Fujimori; now he needs to start building them.

EU and Burma

The European Commission's proposal to revoke Burma's tariff privileges, in protest against its alleged use of forced labour, may fill Eurocrats with a warm glow of virtue. The plan would doubtless have some economic impact on inhabitants of one of the world's poorest countries. But as an instrument for reforming Rangoon's military dictatorship, it looks like an empty gesture, which could set a dangerous precedent for EU policy.

Attempts by Brussels to present the proposal as a badge of moral superiority ring hollow, while the EU systematically penalises developing countries by restricting their exports of textiles and farm products and by using anti-dumping measures. Selective sanctions against undemocratic trade partners lack credibility when imposed by a grouping which habitually discriminates against democratic ones. They could also presage the use of human rights as a pretext for protectionism – a course explicitly rejected by World Trade Organisation ministers last week.

At a practical level, there is little evidence from elsewhere that external trade measures are effective in spurring political change. Too often, they simply harm the economically most vulnerable sections of the population, while stiffening the resolve of oppressive regimes to cling to power. As the EU has repeatedly pointed out, decades of US trade sanctions against Cuba have failed to unseat Fidel Castro, the president.

The impact of withdrawing EU trade preferences for Burma would be unlikely to be any greater, when Burma accounts for less than 5 per cent of the country's exports. The vast majority goes to Asia, which is unlikely to support EU discrimination against Burma's exports. On the contrary, Burma may face lower regional trade barriers if it joins the Association of South East Asian Nations next year, as planned.

Indeed, the proposed EU measures risk encouraging Asian solidarity with Rangoon, particularly if the US also carries out its threat to impose trade sanctions on Burma. Some Asean members, notably Indonesia and Malaysia, support Burma's admission as a gesture of Asian defiance towards the west.

Such attitudes are deeply irresponsible. Removal of Burma's odious regime, and its replacement by a democratic government committed to promoting much-needed economic reform, should be a worldwide priority. It calls for close international co-operation and political maturity on the part of other governments. Constructive policy initiatives and skilful diplomacy are needed – not knee-jerk posturing and tokenism.

To Beeb or not

The UK government has decided to drip feed the BBC for another five years with a licence fee held constant in real terms, but declining towards the end of the period. This settlement defers yet again the question of what kind of public service broadcasting the UK will need in a few years time when hundreds of digital channels will compete for viewers.

The corporation wanted a significant increase in the fee to adapt to the new digital age and to fulfil its mission to deliver "distinctive, high quality programming to all". However, the explosion of choice on the airwaves will make the licence fee ever harder to justify and will increasingly challenge the BBC's desire to provide a universal service, funded by a fee which is much like a tax.

A rapidly increasing share of the UK's broadcasting revenues already come from subscription fees, mainly paid by people who want to watch sport or old movies. Partly in response, the cost of television sports rights has risen eightfold in the last 10 years, whereas the BBC's licence fee income has only risen in line with inflation.

If nothing were done, the BBC would move into gradual decline, too poor to provide some of the most popular viewing and lacking an obviously superior recipe for the daily diet of game shows and sitcoms. In response, the corporation has made overdue efforts to improve efficiency and has increased sales from its archives and programmes.

These are palliatives, however. By the year 2005, the BBC's television revenue is expected to have shrunk to less than a sixth of the industry's total compared with about 40 per cent in the early 1980s. If the corporation is not to drift into a backward-looking decline, some complex choices must be confronted quite soon.

First, if it is to attract private sector capital and increase commercial revenues, as seems desirable and inevitable if the licence fee is frozen, careful rules must be established to prevent unfair cross subsidisation from the fee. It will be equally important and even more difficult to ensure that the BBC's public service mission is not damaged by a scramble for international revenues.

In an increasingly commercial environment, preserving the BBC's traditional purpose – and its enviable reputation – will require a significant shift of strategy. It must accept that it cannot continue to do everything for everyone on every kind of channel, but must focus more on what it does best.

The BBC will inevitably lose viewers to the new competition, so it needs a strategy for retreat which will preserve a visible standard of excellence. The alternative may be defeats on too many fronts.

In Marco Polo's footsteps

As Russia loosens its imperial grip, a new trade corridor is reaching deep into the mineral-rich countries of central Asia, says Bruce Clark

To people in the Caucasus region with long memories, there is something familiar about the surge of diplomatic and commercial interest which their mountainous homeland is attracting.

Last month, the British Navy paid its first courtesy visit to the eastern shores of the Black Sea for 75 years. A battleship anchored at the port of Poti as part of a British week in Georgia which featured ballet, bagpipes, haggis-tasting, rock music and lectures on Thomas Hardy and Jane Austen.

Behind these frolics lay harder realities. UK interest in the region has rekindled following the contract won by John Brown – a British engineering subsidiary of Norway's Kvaerner group – to rebuild a pipeline linking Georgia with the offshore waters of Azerbaijan. A consortium led by British Petroleum has won an $8bn (£4.8bn) contract to exploit those waters.

Germany, still remembered locally for the protectorate it established over Georgia in 1918, has now returned as that country's biggest aid donor, and is helping to repair its half-ruined power industry.

Not to be outdone, Mr Hervé de Charette, the French foreign minister, recently toured Transcaucasia. His apparent aim was to counter the impression that Paris leans towards Armenia where hundreds of thousands of French citizens have ethnic roots – in its conflict with Azerbaijan.

He had another message: Elf-Aquitaine and other French companies want to erode the lead established by US and UK companies in the transport and extraction of oil from the Caspian.

For the second time in a century, a loosening of Russia's imperial grip has given the west a chance to establish direct links with the resource-rich lands which now make up the southern flank of the Commonwealth of Independent States.

Last time was 1918, when Turkey's defeat and Russia's descent into chaos left a vacuum that Europeans jostled to fill. This time, the US has joined the rush, with its unique mixture of economic and military muscle.

Large, active US embassies have sprung up in capitals such as Baku in Azerbaijan and Tashkent in Uzbekistan which once ranked among the most loyal bastions of communism. Their mandate is to keep the region open and stable, protect US investments, and resist the efforts of countries such as Russia and Iran to dominate the region.

But as European diplomats point out, their continent probably has even more reason to forge ties with the ex-Soviet south. In the next century, the Caspian and the lands around it will be a vital source of oil and gas for Europe.

That is one reason why European Union governments, individually and collectively, are moving away from a "Russia first" policy and are now seeking balanced foreign relations with all the former Soviet republics.

A central element in building such relations is the creation of a trade route linking central Asia with the Black Sea and points west. The EU has been formally committed to this since May 1993, when ministers from eight ex-Soviet states signed up in Brussels to the Traceca project.

It will bolster the signatories' independence by stitching together new road, rail and maritime links to provide an alternative to the traditional trade routes through Russia.

This means mobilising the resources of the World Bank and the European Bank for Reconstruction and Development to upgrade bridges, rolling stock, air traffic control and above all port facilities in Georgia and both sides of the Caspian.

Like several other projects in the region – from railways across Iran to putative pipelines to Pakistan – *the EU plan has* tried to reclaim one of history's more evocative brand names: the silk route, trodden 700 years ago by Marco Polo.

Until recently, small wars and large-scale economic dislocation after the collapse of the Soviet Union meant such ambitious cross-border projects were often *little better than pipe-dreams.* But as the ex-Soviet republics have gradually become more stable and begun to think about their geopolitical positions, the east-west trade route has started to take shape.

"The Eurasian corridor is now a reality," Mr Eduard Shevardnadze, Georgia's president, said in a recent interview.

Drawing on the skills he learnt as Soviet foreign minister, Mr Shevardnadze has played a pivotal role in opening the corridor by consolidating his personal relationship with President Heydar Aliyev of Azerbaijan – an old colleague and rival on the Moscow Politburo – and Uzbekistan's President Islam Karimov, another communist-turned-nationalist.

The Georgian leader has also sold the idea of an east-west trade route to an initially reluctant Turkmenistan, a gas-rich *desert republic which has largely* oriented its exports towards Iran.

The four states agreed this summer to send 1m tonnes of cotton westwards from Uzbekistan *to Poti* by rail and sea – creating one of the first commodity export routes from central Asia to bypass Russia.

Significantly, the four participants agreed *to set their own* rail tariffs – avoiding the price-fixing system agreed among members of the Commonwealth of Independent States. This agreement has previously made it more attractive to send freight through Russia than by a southern route.

In another act of faith in the region's once flourishing but now battered trains, the main international oil consortium in Azerbaijan has agreed to bring $650m of equipment by rail from the Black Sea coast to Baku.

Georgia's rail system, which handled 120m tonnes of freight in 1986 and might at best carry 5m tonnes next year, has also won business from the oil company Chevron, which recently began sending train-loads of crude from its giant Tengiz field to the port of Batumi.

For Chevron, which has struggled hard to find an export route for its $20bn Tengiz project, Georgia *provides an useful, if second*ary, alternative to the $1.5bn pipeline it hopes to build to Russia's Black Sea coast.

The idea of an east-west transport axis, *running south of Rus*sia, has also gained support recently from two other leading governments in the Commonwealth of Independent States: Ukraine and – *more cautiously* – Kazakhstan.

Last month, the European Commission moved on from ports and railways to the more sensitive issue of pipelines. At a conference in Brussels, it launched a programme known as Inogate – Interstate oil and gas transport to Europe – to encourage energy flows from the former Soviet republics to the EU.

The most important decision was to study the feasibility of pipelines bringing oil and/or gas across the narrowest part of the Caspian Sea – a manageable engineering project stretching 160kms through shallow water.

But any enterprise involving the Caspian risks exacerbating a dispute over the legal status of the sea which bitterly divides the five countries around it.

While the Russian postion has *softened, a meeting of the five* last month brought no end to the argument pitting Azerbaijan, which wants the sea divided into national sectors, against Russia which prefers joint management of the sea's resources.

Kazakhstan inclines to the Azerbaijani view – it favours a division of the seabed, though not surface waters. However, both countries were upset when Turkmenistan recently joined Russia and Iran in forming a joint exploration venture.

But the dispute over the Caspian has given Russia a lever over the region, since it controls *the main water route into it:* the Volga river and the port of Astrakhan. Moscow can use this control to restrict the flow of transport and drilling equipment to its southern neighbours.

More important, it can also stop larger ships moving into the Caspian – much needed if the new Silk Route is to fulfil its potential.

The railway systems running eastwards and westwards from the Sea could rapidly be expanded to carry 30m-40m tonnes of freight per year, but the ships plying the southern Caspian have limited capacity – barely 1m tonnes. Unless capacity on this part of the link to central Asia can be greatly increased, it will quickly become a bottleneck.

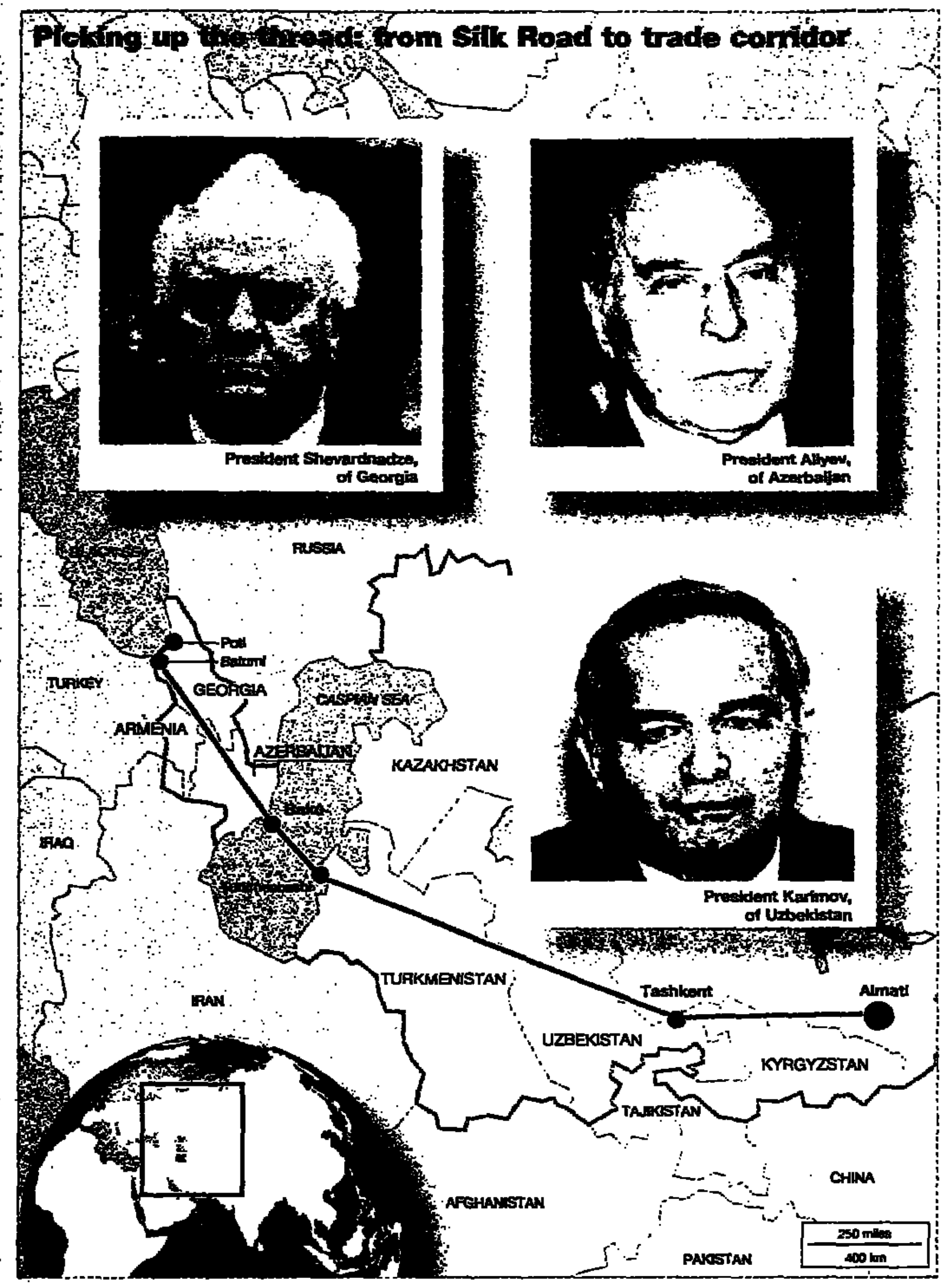
Arguments over the Caspian provide Russia with one lever, and it has others. For example, Moscow still keeps garrisons in all Georgia's ports – despite hints from Mr Shevardnadze that he wants them out. Georgia reacted furiously when Russian troops boarded a Ukrainian ship in Batumi a few days ago.

All this may explain the continuing caution of Mr Shevardnadze's comments about Moscow, and the haste with which he stresses his desire to revive trade relations with Russia, which has been ruined by wars on both sides of the Caucasus.

With infinite tact, Mr Shevardnadze Russia has led the way in forging links between the Com*monwealth of Independent States* and Europe, and little Georgia is merely following.

But Mr Shevardnadze is convinced western interest in his *region will be more durable this* time than when the region last slipped free of Moscow's rule. Georgia's independence after the first world war lasted barely *three years before* Russia's Bolsheviks reconquered the Caucasian republics.

"Times have changed now," the Georgian president says. "Although there will be *obstacles* ... nothing can stop Transcaucasia's engagement with Europe."



· OBSERVER ·

Viennese high roller

■ Passions are running high over the battle for control of Creditanstalt, Austria's most famous bank. Chancellor Franz Vranitzky's Social Democratic party is backing Bank Austria's bid for CA, while its *junior* coalition partner – the People's party – is supporting a rival bid by the BA-Generali consortium.

"The two sides are digging *themselves in so deeply* that the affair threatens to undermine the coalition which has ruled Austria for the last decade.

Hence the interest in Karl Wlaschek, 79, *former* owner of Austria's biggest supermarket chain, whose private foundation popped in a last-minute bid for CA. Wlaschek has offered less than the rest. But at least he has ready cash – he has just sold his Billa supermarket chain for Sch15bn – and the added advantage of being politically neutral.

There is no question of his business acumen. A former piano bar player, Wlaschek started with a small perfume store in Vienna in 1953 and built up one of Europe's most successful retailers. He also has a reputation for being an unpredictable sort. Billa executives first heard about his decision to sell the company on the radio.

Wlaschek's relations with his three *ex-wives* and children *sound equally stormy.*

He had planned to hand control of his Libro discount book chain to his son Karl. But it now being sold to the Germans. His third wife seems to have sealed her fate when a tape of one of her car-phone conversations fell into the wrong hands. According to WirtschaftsWoche, Austria's main business weekly, Mrs Wlaschek was overheard to say: *"What shall I do, the old man is* dying and won't die."

The old man, who was seriously ill at the time, staged a remarkable recovery on hearing of his wife's worries. He filed *for* divorce and is reputed to have given the bearer of the tape a substantial reward.

Wolf man

■ At last, Stephen Wolf is flying solo again. Ever since the highly-regarded US airline executive returned to the front rank of the aviation business in January to become boss of USAir, he's looked uncomfortable having British Airways sitting on a quarter of the company's equity.

BA's subsequent decision to form an alliance with American Airlines, one of USAir's biggest rivals, gave him just the opportunity he needed to tell BA, in his own inimitable style, to take a walk.

Wolf, *once reported to* be among the highest paid executives in the US, certainly has style. A rather natty dresser, he warmed to his role as one-time adviser to Air France by having menus from his favourite Parisian restaurant *faxed to him as he headed* across the Atlantic.

With BA now taking that walk, Wolf will be free to go his own way with USAir. If *precedent is any guide,* this means bashing the airline into shape as a prelude to a sale – just as he did with Republican Airlines, The Flying Tiger Line, *and most recently* United Airlines, which was sold to its employees in 1994.

Pundits say the first sign that Wolf, 55, is gearing up for a sale *is when he changes the colours* of his planes. USAir announced a new colour scheme last month and the shares have been rising ever since.

Bryan storm

■ The folks at Clyde Petroleum will be dealing with a blunt, tough Texan not a mild-mannered Canadian as they try to fend off yesterday's hostile bid from Gulf Canada Resources. *Gulf chief executive J.P. Bryan* has a sign on his desk that sums up his approach: "Whenever you find you're on the side of the majority, it's time to reform."

Bryan, 56, moved to Calgary two years ago when his Houston-based investment firm bought control of Gulf. Since then, he has transformed the once-struggling company into a lean, aggressive competitor – and ruffled a few feathers along *the way. Bryan chopped Gulf's* workforce by a third and recently decided to move its head office from Calgary to Denver, ostensibly to get closer *to US investors.*

He also rushed in where angels fear to tread by suggesting that Quebec separatists either start their own *country with a bit of land* or "if a small, isolated group of you want to go back to France, we'll get you a boat".

U-turn

■ Last year's Mercedes' and BMWs are apparently good enough *after all for Thailand's* political elite. Prime minister Chavalit Yongchaiyudh yesterday reversed his earlier plan to spend nearly $1m on luxury cars *for members of his* office – thus falling into line with his finance minister's pledge to cut government spending on inessential imported goods. *Sounds like a real* economy drive.

The Financial Times

100 years ago

The Temiscouata Railway
We call attention to a circular emanating from the Bondholders' Committee of the Temiscouata Railway. It calls upon the bondholders to subscribe funds to defend their interest against the contractors of the line, who, under a judgment against the Company for advances and interest, have actually advertised the main line of railway for sale. It is somewhat curious that one of the partners of the contracting firm is also a Director of the Temiscouata Railway. It is also remarkable, as the circular points out, that the line should be seized upon under this judgment just after the trustees of the Debenture Holders have obtained a decision in the Court of Appeal in Quebec which entitles them to take possession of it themselves.

50 years ago

Canada Nickel Outlook
World deliveries of Canadian nickel in all forms in 1946 will compare favourably with those of 1945 despite reconversion conditions and labour difficulties, states Mr R.C. Stanley, chairman and president of the International Nickel Company of Canada. Mr. Stanley says that demand for nickel has been expanding in the past few months.

FINANCIAL TIMES
Thursday December 19 1996

EU may curb Burmese imports in protest over forced labour

By Caroline Southey in Brussels and Ted Bardacke in Bangkok

The European Commission yesterday called for the suspension of Burma's trade privileges on the grounds that Rangoon's military regime sanctions the use of forced labour.

The action set a precedent in the Commission's bilateral trade relations by linking trade and workers' rights for the first time.

The Commission proposed that the European Union withdraw the generalised scheme of preferences (GSP), under which it offers developing countries preferential tariffs – in Burma's case for industrial exports to the EU.

Burma last year exported industrial goods worth $30m to the EU, whose officials estimate the GSP was worth $365,000.

Mr Manuel Marin, commissioner responsible for Asia, told colleagues the proposal was a "pioneer case" and that action was necessary in the light of evidence on the use of forced labour. EU finance ministers are expected to endorse the action, which requires a qualified majority in favour, early next year.

Ministers at the World Trade Organisation meeting in Singapore last week rejected calls to link the two issues, concluding that labour rights should be dealt with by the International Labour Organisation and that labour standards should not be used for protectionist purposes.

EU officials and diplomats in Rangoon said the overall economic impact of the action was likely to be negligible. However some believed Burma's textile industry would be affected.

"Without GSP privileges, we just won't be cost-effective compared to places like Bangladesh or Cambodia, which also sell to the EU," said Mr Joe Pang, director of Hong Kong's Victoria Garment Manufacturing, which has four factories in Rangoon.

The Commission's proposal follows a year-long investigation which drew evidence from written submissions, testimonies from Burmese and submissions from lawyers, journalists and the International Confederation of Free Trade Unions (ICFTU) which launched the complaint.

"We found that there was widespread use of forced labour, particularly since Slorc [the Burmese military junta] took over," an EU official said. Evidence suggested the practice was particularly widespread in the military, where people have been forced to act as porters for troops, and on large infrastructure projects, he added.

The ICFTU believes 800,000 Burmese are forced to work without pay or against their will, contributing around a tenth of the country's economic output.

Editorial Comment, Page 13

Thai workers torch Sanyo sites

By Ted Bardacke in Bangkok

Second largest bank also hit by protests over reduced bonuses

Workers at a Sanyo factory in Thailand have burnt to the ground the Bangkok headquarters of the Japanese electrical goods company and a warehouse in a protest over reduced end-of-year bonuses.

Yesterday the government was forced to intervene to end a separate protest by 1,500 workers at Krung Thai Bank, Thailand's second largest commercial bank, who staged a demonstration after they were offered smaller year-end bonuses. The government offered to make up the difference between last year's bonus and this year's payout.

The protests – at odds with the conventional image of Thai workers as passive – come at a time of economic slowdown which has badly hit the country's export-driven economy.

About 2,000 workers employed by Sanyo Universal Electric destroyed the eight-storey office building and a four-storey warehouse containing refrigerators, televisions and air compressors.

The workers, described by police as drunk during Tuesday's incident, were dissatisfied with a year-end bonus equal to three months' wages, compared with a bonus of 5.75 months' wages last year.

The workers at Krung Thai Bank protested outside the bank's headquarters against a year-end bonus equal to four months' salary, compared to last year's 5.5 months.

Krung Thai shares fell 6 per cent yesterday as word of the protest spread. The bank had offered an extra month's bonus, but workers held out for more, saying that while the bank's profits had increased by more than 10 per cent, they were only asking for the same bonus as last year.

In 1995, average monthly salaries in private-sector manufacturing were about Bt5,000 ($195), according to government figures, up 16.7 per cent on 1994. Inflation is currently 5 per cent, down from 7 per cent at the start of this year.

For most Thai workers, bonuses, overtime and other perks make up a large proportion of take-home pay, compensating for a low basic salary. The swift reaction to a cut in bonuses may destroy the stereotype of Thai labour as docile. Analysts said this docility was understandable given ever-increasing real wages and high expectations.

However, workers were unlikely to remain passive when those expectations were scaled back and wages cut, as may become more widespread as Thailand's growth slows.

"There is still full employment in this economy and excess labour from the countryside is still being absorbed by the manufacturing sector," said Mr Ammar Siamwalla of the Thailand Development Research Institute, an independent think-tank.

"But my real worry is if people start having to go back to their villages with nothing to do or they can't support themselves in the city. Then things could get ugly."

Brussels gives go-ahead to genetically modified maize

By Caroline Southey in Brussels

The European Commission yesterday took the controversial decision to approve genetically modified maize, ending months of delay and clearing the way its sale on European Union markets.

The Commission had delayed approval because of mounting criticism of the EU's failure to protect consumers against dangerous foods, particularly those contaminated with BSE, or mad cow disease.

The decision was condemned by environmental and consumer groups, which argued that it would result in agricultural pests developing resistance to pesticides, and farmers using more pesticides, increasing water pollution.

Controversy is likely to be even greater because the maize, developed by Ciba, the Swiss chemicals group, will be allowed into the EU without labels distinguishing it from ordinary maize.

Mrs Ritt Bjerregaard, commissioner for the environment, said three EU scientific committees dealing with food, animal nutrition and pesticides had approved the maize, reporting "there was no reason to believe" the maize could harm human or animal health.

She said EU rules on labelling the maize were inadequate but pledged to revise the directive governing genetically modified foods, which requires special labels only on products deemed to carry risks.

In a bid to counter consumer fears, Mrs Bjerregaard said Ciba had promised the Commission it would label bags of the modified maize seeds and monitor insect resistance in Europe.

The maize contains a toxin which makes it resistant to the European corn borer pest. Critics argue that insects will develop resistance to the toxin.

Ms Hiltrud Breyer, a Green member of the European parliament, said the maize was a "time-bomb for consumers and the environment". It was used in many foods, none of which would have to be labelled.

Alison Maitland adds: The UK government, which two weeks ago accused the US of trying to force the maize on Europe, yesterday played down any risk of antibiotic resistance transferring to animals or humans as "minimal".

BA to sell 24% stake in USAir

Continued from Page 1

ment agreement between the two airlines, BA is required to offer its shares to USAir first. The US carrier has 60 days to decide whether to purchase them. If it does not, BA will be able to sell the shares either by private transactions or through a public offering.

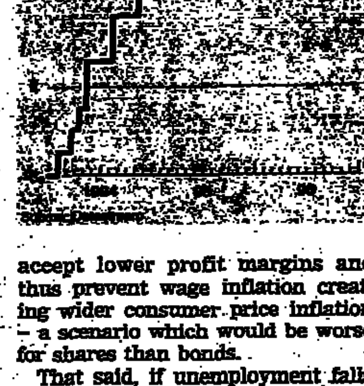
BA said it would not disclose the price at which it was offering the shares to USAir. At midday yesterday, USAir's shares were trading at $22⅞.

BA has said it had gained $100m in extra annual revenues from the tie-up over the past few years, but the alliance had been hindered by financial and labour problems at USAir. In 1995, BA wrote down almost half its investment in USAir because of those difficulties.

THE LEX COLUMN

Steady States

FTSE Eurotrack 200: 1915.9 (+15.3)



Mr Alan Greenspan, chairman of the US Federal Reserve, is in danger of becoming a legend in his own lifetime. His successful delivery of the fabled Goldilocks economy – not too hot, not too cold – is as impressive as it is familiar: the US economy has been growing for nearly six years. This has helped unemployment fall to a 23-year low of around 5 per cent, while core consumer inflation is at a 31-year low.

Against this backdrop, and with few signs of activity racing ahead, it was little surprise that the Fed left interest rates unchanged on Tuesday. But how long can Mr Greenspan's winning streak continue?

Judging by consensus economic forecasts, a good while yet. On average, US forecasters are projecting 2.4 per cent output growth this year and 2.3 per cent next year, with inflation expected to hold at 2.9 per cent. But with share and bond prices perched precariously, there is considerable nervousness that a pick-up in growth might force the Fed to tighten policy, bringing the whole house tumbling down.

In the short term, the growth outlook is certainly positive. The main factor here is the likely strength of consumer spending. This will be fuelled by ongoing strong growth in real incomes and continued recovery in the housing market, boosted by lower mortgage rates. Stock rebuilding and continued robust capital expenditure by companies will bolster growth further. The one drag on this picture will be the trade account: exports will suffer in due course from the effect of the dollar rally over the past 18 months and subdued growth in leading export markets such as Europe and Japan.

The critical questions for investors are whether employees will be able to exploit the tightening labour market to extract a higher share of the economic pie and whether rising wages will fuel inflation.

The last time unemployment fell to around 5 per cent, it spilled over into higher inflation. So far, the pattern has not been repeated. While there has been some evidence of wage pressures building, this has been patchy. And there are good reasons for believing earnings growth will stay subdued: heightened job insecurity is fostering lower pay claims and encouraging employees to save more. Additionally, consumer resistance to higher prices may force companies to accept lower profit margins and thus prevent wage inflation creating wider consumer price inflation – a scenario which would be worse for shares than bonds.

That said, if unemployment falls below 5 per cent and the stock market froth continues, Mr Greenspan may feel that putting interest rates up is the only safe course. But with markets in their current nervous state, it is quite possible they will do Mr Greenspan's job for him. If the labour market tightens significantly, bond yields are sure to rise, which may remove the need for higher short rates. So there could be a few more bouts of market jitters, even without any increase in rates.

UK electricity

What should investors make of the latest sparks flying in Britain's frazzled power sector? Start with some good news: Entergy's agreed offer for London Electricity shows US bidders are still willing to buy power companies for significantly more than they are worth.

As a multiple of cash flow, Entergy's offer is higher than the price paid by Dominion Resources for East Midlands Electricity and substantially more than CalEnergy's offer for Northern Electric.

In short, fears that CalEnergy's bid would set a lower benchmark for the rest of the sector look overblown. Yet it is just as well: yesterday's measly 2 per cent increase in London's share price shows how bullish are the takeover hopes already priced into these stocks.

Just as important for Northern shareholders, however, was yesterday's decision by the company's advisers, BZW and Schroders, to buy up chunks of Northern shares from wavering investors.

These questionable tactics, which will have materially lengthened the odds on Northern's remaining independent, are catching on in the UK and should be banned, as they are in the US.

For one thing, the advisers' claim to be acting independently of their client is doubtless strictly true, but their identity of interest still looks pretty clear. Moreover, imagine the advisers are successful: the bid fails and Northern's share price falls. In this case, shareholders not lucky enough to have shared in the advisers' largesse would have every reason to feel unfairly treated.

Clyde/Gulf

Gulf Canada Resources' reasoning in bidding for Clyde Petroleum looks pretty transparent. But it also looks far from convincing. Because Clyde shares trade at a lowly cash-flow multiple, Gulf can afford to pay a high price and still deliver a healthy – if essentially cosmetic – increase in its own cash-flow per share. This may kid some of its own shareholders. But it does not change the basic fact: the acquisition will only stack up if Gulf can add lots of value or it can pick Clyde up cheap.

Neither seems likely. On the first point, although there is talk of bringing better exploration skills and pooling some Indonesian assets, the so-called strategic case for the acquisition is conspicuously long on waffle.

As for the price, Gulf is more likely to overpay than snap up a bargain. As it is, Gulf is offering a premium of 40-50 per cent to analysts' estimates of Clyde's net asset value.

To reflect the company's ability to add future value some premium is certainly justified, but this is still pretty racy. Moreover, the stock market reckons Gulf will not even get away with yesterday's offer: Clyde shares yesterday closed 12 per cent above it.

Of course, to expect a higher bid may prove optimistic. But although fighting Gulf off will be an uphill task, Clyde certainly has potential to spring goodies out of the cupboard. And a counter-bid, however unjustified, is always a possibility. This promises to be a lively battle; shareholders should stick on to see how it develops.

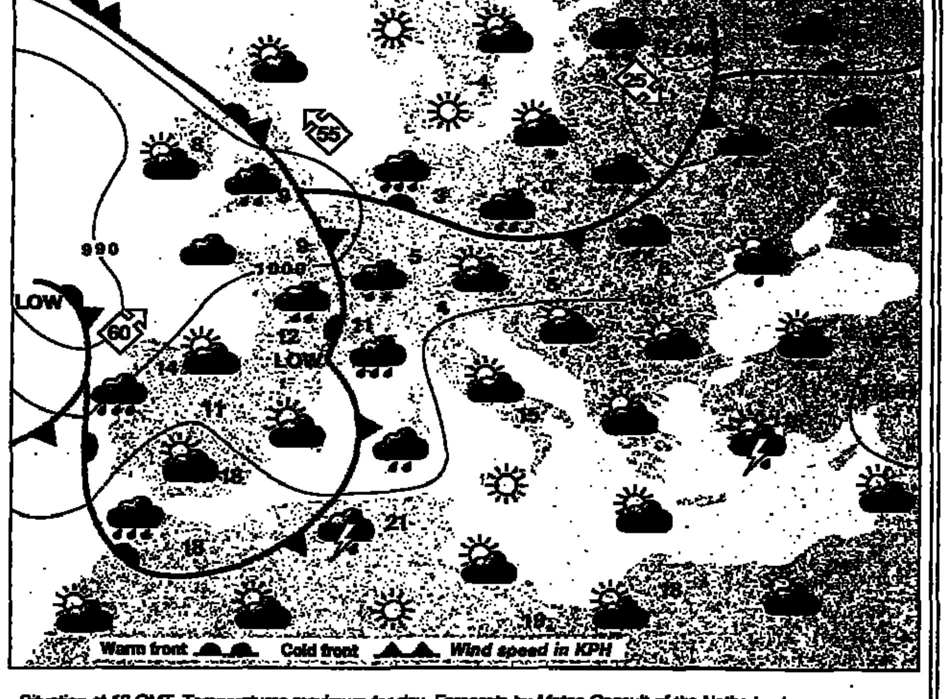
FT WEATHER GUIDE

Europe today

England, the Benelux, France and Germany will be cloudy with outbreaks of rain. Spain and Portugal will be sunny in the east and overcast and wet in the west. South-east Europe will be cloudy with showers. Italy will be mainly dry with sunny spells. The northern Alps will also have some sun, while the southern regions will be cloudier. Russia will be overcast with snow.

Five-day forecast

Northern and western Europe will turn colder and stay cloudy and unsettled. Spain and Portugal will be changeable. Cloud and rain will slowly move across the Alps towards south-east Europe.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum	Beijing	sun 3	Caracas	fair 30	Faro	rain 15	Madrid	shower 10	Rangoon	fair 32
	Celsius	Belfast	rain 7	Cardiff	fair 8	Frankfurt	rain 5	Majorca	fair 17	Reykjavik	cloudy 0
Abu Dhabi	sun 25	Belgrade	sun 9	Casablanca	shower 20	Geneva	rain 10	Malta	sun 17	Rio	shower 33
Accra	fair 32	Berlin	rain 2	Chicago	snow-10	Gibraltar	shower 15	Manchester	rain 7	Rome	fair 15
Algiers	shower 20	Bermuda	fair 21	Cologne	rain 7	Glasgow	rain 5	Manila	fair 31	S. Frsco	sun 12
Amsterdam	rain 6	Bogota	cloudy 20	Dakar	sun 28	Hamburg	rain 1	Melbourne	fair 19	Seoul	fair -1
Athens	cloudy 17	Bombay	fair 33	Dallas	fair 3	Helsinki	snow -8	Mexico City	fair 23	Singapore	shower 31
Atlanta	fair -1	Brussels	rain 8	Delhi	sun 24	Hong Kong	cloudy 27	Miami	cloudy 22	Stockholm	fair -5
B. Aires	shower 26	Budapest	cloudy 5	Dubai	sun 26	Honolulu	fair 26	Milan	rain 7	Strasbourg	rain 8
B.ham	rain 7	C.hagen	fair 0	Dublin	rain 8	Istanbul	cloudy 14	Montreal	snow -3	Sydney	cloudy 20
Bangkok	fair 34	Cairo	sun 21	Dubrovnik	shower 14	Jakarta	rain 29	Moscow	snow -4	Tangier	rain 17
Barcelona	fair 14	Cape Town	fair 25	Edinburgh	rain 5	Jersey	shower 10	Munich	fair 4	Tel Aviv	sun 20
						Karachi	sun 29	Nairobi	fair 28	Tokyo	fair 12
						Kuwait	fair 18	Naples	fair 16	Toronto	snow -4
						L. Angeles	sun 21	Nassau	fair 26	Vancouver	cloudy 7
						Las Palmas	fair 23	New York	rain 6	Venice	cloudy 7
						Lima	fair 24	Nice	rain 15	Vienna	fair 4
						Lisbon	rain 14	Nicosia	fair 17	Warsaw	snow 0
						London	rain 9	Oslo	fair -6	Washington	rain 5
						Lux.bourg	rain 6	Paris	rain 10	Wellington	shower 16
						Lyon	rain 11	Perth	fair 31	Winnipeg	sun-16
						Madeira	shower 21	Prague	rain 3	Zurich	cloudy 7

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IN BRIEF

Consortium plans high-speed chips

Semiconductor manufacturers in Japan and Europe have formed a consortium to develop advanced microprocessor chips which they say will be twice as fast as current ones and will sell at half the price. The companies involved include Japan's Fujitsu, Toshiba, Matsushita Electric, NEC, Hitachi, Mitsubishi, Sony and Fuji Xerox, US group Texas Instruments' Japanese arm, and SGS Thomson Microelectronics of Italy. Page 16

Axa to dominate UAP after merger

Axa, the French-based insurance group, confirmed the success of its friendly offer worth almost FFr50bn ($9.6bn) for UAP, a rival insurer, and in a clear sign that Axa would dominate the merged operation said it was "essential" that it ultimately move to a single worldwide brand name, which would be Axa. The enlarged company's 16-strong executive committee, of whom 10 are drawn from Axa and six from UAP, will be chaired by Mr Claude Bébéar (above), Axa's chairman. Page 17

Avenor in C$2.8bn takeover of Repap

Avenor, one of North America's biggest newsprint groups, is taking over coated paper producer Repap Enterprises in an agreed deal valued at C$2.8bn (US$2.1bn). Avenor will become Canada's largest paper producer, with annual sales of more than C$5bn. Page 16

Rexam plans to sell 20 businesses

Rexam, the UK packaging company, is to sell about 20 businesses as the newly-installed management moves to restore the group's profitability. The units accounted for 12.4 per cent of Rexam's £2.45bn ($4bn) 1995 sales. Page 18

Banamex finishes $1.1bn capitalisation

Banamex, Mexico's largest bank, completed a $1.1bn capitalisation programme which will strengthen its capacity to withstand big write-offs on its mortgage portfolio when stricter accounting practices come into effect next year. Page 20

Nikkei takes 1.6% tumble

Japan's Nikkei 225 average shed 320.43 to close at a day's low of 20,093.03 after profit taking in international blue chip shares and selling of non-life insurance stocks forced scores of issues to new lows for the year. Page 32

Swissair to detail reorganisation

Swissair is due today to announce "important decisions" on reorganising itself into a holding structure. The airline said it might also announce the replacement of its eight Airbus A-310 aircraft with Boeing 767s or Airbus A-330s.

Companies in this issue

Market Statistics http://www.FT.com

Chief price changes yesterday

FRANKFURT (DM)			**PARIS (FFr)**		
Rises			Rises		
[illegible]	470	+ 30	[illegible]	1347	+ 104
[illegible]	3750	+ 20	[illegible]	1431	+ 81
[illegible]	166.5	+ 21.5	[illegible]	405	+ 34
Falls			Falls		
Allianz	2760	- 30	[illegible]	1200	- 100
Computer 2000	330	- 15	[illegible]	585	- 80
[illegible]	1155	- 25	[illegible]	8820	- 70
NEW YORK ($)			**TOKYO (Yen)**		
Rises			Rises		
Compaq	77	+ 4⅛	[illegible]	6810	+ 400
Medtronic	65⅝	+ 4⅛	[illegible]	785	+ 25
[illegible]	42⅛	+ 2⅛	[illegible]	683	+ 40
Falls			Falls		
[illegible]	17⅛	- 1	[illegible]	1250	- 110
[illegible]	17	- 3⅜	[illegible]	2550	- 120
Zenith	11⅛	- 1⅛	Shima Seiki	5320	- 310
LONDON (Pence)			**HONG KONG (HK$)**		
Rises			Rises		
ADT	1375	+ 162½	Hutchison	55.75	+ 0.5
[illegible]	2175	+ 225	[illegible]	9.2	+ 0.3
[illegible]	732½	+ 55	[illegible]	29.25	+ 0.85
Falls			Falls		
[illegible]	105	- 23½	Hysan	27.6	- 0.65
[illegible]	27½	- 12½	[illegible]	28.2	- 1.7
[illegible]	385½	- 18½	Wharf	36.7	- 0.90
TORONTO (C$)			**BANGKOK (Baht)**		
Rises			Rises		
[illegible]	18.0	+ 3.0	[illegible]	14.25	+ 1.25
[illegible]	34.0	+ 2.2	[illegible]	14.25	+ 1.25
[illegible]	20.05	+ 1.25	Tipco	37.0	+ 2.75
Falls			Falls		
Algoma Cntrl	38.75	- 3.25	[illegible]	63.0	- 6.5
[illegible]	19.2	- 2.0	[illegible]	36.0	- 4.0
Repap Ents	4.4	- 1.1	[illegible]	104.0	- 10.0

New York and Toronto prices at 12.30pm.

Unsolicited $3.5bn bid for ADT

Largest shareholder Western Resources offers cash and stock deal

By Richard Waters in New York

ADT, the home security company headed by British financier Mr Michael Ashcroft, received an unsolicited $3.5bn bid from its biggest shareholder yesterday.

Western Resources, the US electricity utility which owns 27 per cent of ADT, would become the biggest security monitoring company in the US and UK if the offer succeeded.

For Mr Ashcroft, the offer represents a potential setback in a year that has already seen a plan to sell ADT fall apart.

The Bermuda-based entrepreneur agreed in June to sell the company to Mr Wayne Huizenga's Republic Industries, but the all-stock deal was called off in October after Republic's shares had plunged in value.

Western's stock and cash offer yesterday was worth $22½ a share, or a premium of 12 per cent to ADT's closing share price the day before of $20⅛. Early trading yesterday saw it rise to $22⅞.

Republic's initial offer was worth $26 a share, though the volatility of its shares later undermined the price.

ADT issued a statement advising shareholders to take no action until its board had reviewed the offer.

Relations between the company and its biggest shareholder have been icy since Mr John Hayes, Western's chairman, suggested to Mr Ashcroft early this year that the two companies should discuss ways of co-operating.

Western bought its initial stake from Laidlaw, a Canadian group, late in 1995 at $14 a share.

The Kansas-based utility, already the third biggest home security company in the US, said it would call for a special meeting of ADT's shareholders and put forward new directors who would not be hostile to its offer. It would take only a simple majority of those voting to push through the board changes, said Mr Hayes.

The offer price – $7.50 cash and $15 in Western stock – is below the value put on the company by many analysts. Mr Jeff Kessler, analyst at Lehman Brothers, this week estimated ADT to be worth $26-$29 a share, based on its strong market position and high growth prospects.

In a highly fragmented market populated by many independent suppliers, ADT has established the only recognised national brand name in the US security monitoring business. It has 1.2m customers in the US and 500,000 in the UK, and is experiencing revenue growth of more than 10 per cent.

Deregulation of the US's electricity and telephone utilities has prompted a rash of acquisitions in the home security industry in recent months. Companies such as Western and Ameritech, the Chicago-based local telephone company, have seen the business as a way of adding services to sell to existing customers and of developing a new national customer base for their traditional businesses.

Gulf Canada Resources, the international oil and gas group headed by JP Bryan (pictured), yesterday launched a £432m ($708.5m) hostile bid for Clyde Petroleum, the UK-based independent oil company. Clyde, which would be Gulf's biggest takeover so far, offers it a toehold in the UK's North Sea as well as production in Australia and Indonesia. Report, Page 18 Picture: Brendan Corr

Nomura to merge asset management operations

By William Dawkins in Tokyo

The two asset management subsidiaries of Nomura Securities, Japan's leading stockbroker, are to merge in an attempt to improve competitiveness in the deregulation of the Tokyo financial markets.

The merger of Nomura Securities Investment Trust Management, which services retail investors, with Nomura Investment Management, Japan's largest investment advisory company, which handles pension funds, will create a group with Y15,400bn ($135bn) of funds under its control.

That will make the combined group Japan's largest asset management company though only a third the size of the world leader, Fidelity Investments of the US.

The merger, to be completed in October next year, is expected to prompt other Japanese stockbrokers to consolidate their asset management units, held apart until recently by government regulation.

Mr Tadashi Takubo, president of NIM, said the merger would boost both partners' research departments and the speed at which they could introduce products. The group would seek to expand its research department through hiring or acquisition. He predicted the Japanese pension fund market would grow from Y220,000bn, of which NIM has a 0.7 per cent share, to Y300,000bn by the end of the decade and Y500,000bn by 2010.

Investment advisory companies have started to increase their share of pension fund assets since the finance ministry decreed, nearly two years ago, that pension funds could place more of their money with independent advisers rather than the trust banks and life assurers that have dominated the industry.

Investment advisory companies such as NIM now manage 7 per cent of Japan's pension funds with the remaining 93 per cent held by trust banks and life assurers. Mr Takubo said that further deregulation of asset allocation rules next year would increase pension funds' scope to invest in domestic and foreign equities. The new group would aim to take advantage of that.

NIM has Y3,600bn of foreign and domestic institutional investors' assets under management and 160 employees. NSITM, with 425 staff, manages Y11,800bn of individual and institutional assets. Both have subsidiaries in New York, London and Luxembourg.

The partners started discussing a merger two years ago when NSITM was permitted by a change in regulation to obtain an investment advisory licence. That put it on the same business footing as NIM and removed the main reason for separate subsidiaries.

Hector quits SAP board over dispute with chairman

By Wolfgang Münchau in Frankfurt

Mr Hans-Werner Hector, co-founder of SAP, the German software company, has resigned from its supervisory board after a long-standing dispute with Mr Dietmar Hopp, chairman.

In an angry statement he accused Mr Hopp of not tolerating dissenting opinions, saying the chairman, "who apparently saw his interest threatened, reacted by engaging in negative public statements".

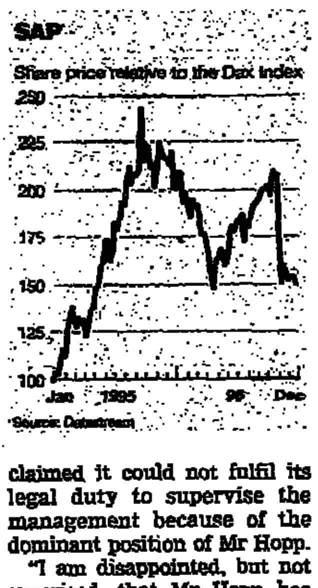
Mr Hector's resignation had been expected since he left the management board earlier this year and decided to sell his 11.2 per cent stake in SAP – one of the world's top five software firms – to a trust fund.

Mr Hopp had publicly criticised the sale.

The company's shares ended 50 pfennigs lower yesterday at DM206.50, after recovering almost all the initial losses prompted by Mr Hector's departure.

In a letter to Mr Bernd Thiemann, chairman of the supervisory board, Mr Hector claimed it could not fulfil its legal duty to supervise the management because of the dominant position of Mr Hopp.

"I am disappointed, but not surprised, that Mr Hopp has tried to stifle and deflect differing views of company business through personal attacks," he said.



Until last year Mr Hector was SAP's top executive responsible for worldwide training of employees, consultants and clients. He was also chief executive of the company's North and South American operations. Shareholders expected a showdown between Mr Hector and Mr Hopp at the annual general meeting in June, but Mr Hector decided not to "in the interests of a calm meeting".

A spokesman for Mr Thiemann, who is also chairman of DG Bank, said Mr Hector's decision caused little surprise. He also rejected Mr Hector's criticisms of the supervisory board.

The resignation ends a turbulent year for SAP, until recently one of the top performers in the German stock market. The shares suffered a temporary setback in the spring when a report by a US consultancy questioned the future market potential of R/3, a client/server business software package for commercial use. R/3 is the company's main product group, and a world market leader in its field.

In October, SAP shares slumped by almost a quarter after it warned about future profits growth.

The announcement triggered a general market reassessment of the company's long-run growth potential.

De Beers to end $1.2bn diamond deal with Russia

By Kenneth Gooding, Mining Correspondent

De Beers of South Africa yesterday said it would terminate its $1.2bn-a-year diamond marketing agreement with Russia at the end of this month, severing a 35-year relationship.

The announcement shows De Beers' anger at the Russian government's failure to ratify a replacement contract.

It came as the group revealed that 1996 sales of rough or uncut diamonds by the producers' cartel, organised by its Central Selling Organisation, rose by 7 per cent to a record $4.834bn.

Mr Nicholas Oppenheimer, chairman of the CSO and deputy chairman of De Beers, said ending the marketing contract would mean "Russia will lose our commitment to purchase its diamonds at a predetermined price in good or bad times".

He indicated that De Beers still hoped the Russian government eventually would ratify a new trade agreement.

This was hammered out between February and September by De Beers and Almazy Rossii-Sakha, the biggest Russian diamond producer, but has been bouncing between various Russian ministries since then.

De Beers has continued to act for Russia under the terms of the previous contract that should have expired at the end of last year.

But "leakages" of Russian rough diamonds to the west, in apparent breach of the contract, have been running at $80m a month according to western traders.

The contract is worth about $100m a month to Russia. There have been claims that Russia could do better by selling directly to the west. But analysts point out that, without the De Beers contract or something like it, western banks would be reluctant to provide the loans needed by ARS the Russian industry to modernise operations.

ARS is hoping to raise $62m to replace its vehicle fleet but this depends on a new De Beers contract.

"You can understand De Beers running out of patience," said Mr Mark Cockle of Diamond International, a trade publication. But he suggested De Beers' move would be more likely to unite opposition to a new contract and cause Russia to sell its rough diamonds independently of the cartel.

Mr Roger Chaplin, analyst at stockbroker T Hoare & Co, said De Beers would benefit from ending its contract by being able to buy the Russian diamonds it wanted at prices it wanted to pay. He said: "The Russians will probably find they need De Beers more than De Beers needs them."

Entergy to buy UK electricity company for $2.1bn

By Simon Holberton in London

Entergy, the US utility, yesterday gained the agreement of the UK's London Electricity to to a £1.3bn ($2.13bn) takeover offer.

The announcement of the London deal came as Mr Ian Lang, UK trade and industry secretary, cleared a £1.3bn agreed takeover of East Midlands Electricity by Dominion Resources, a US utility.

Another bid – US group CalEnergy's £782m hostile offer for Northern Electric – was last night on a knife edge after BZW and Schroders, respectively broker and financial adviser to Northern, bought 2.3 per cent of the company in a show of support for their client. CalEnergy's bid closes tomorrow.

Under yesterday's London Electricity deal, Entergy will pay 705p in cash per share and the dividend of 14.3p which London promised when it published interim results last week. Sir Bob Reid, London's chairman, said the board felt the offer represented "fair value" and directors unanimously recommended it.

Mr Ed Lupberger, chairman of Entergy, said the transaction "puts Entergy into a new orbit" and was an important step in the company's plans to become a global energy group. The company already has investments in Argentina, Australia, Pakistan, and Peru.

According to analysts, the Entergy offer represents a multiple of about 6.8 times cashflow (profit before interest, depreciation and tax) against about 6 times for CalEnergy's Northern bid. On the same basis Dominion's bid for East Midlands is at 6.4 times cashflow.

Entergy said its acquisition would give it a base for developing its business in the UK and continental Europe.

It said it opposed the UK opposition Labour party's proposal for a windfall tax on privatised utilities as "punitive and after the fact".

Entergy was advised by Morgan Stanley and UBS, while London was advised by Schroders and SBC Warburg.

Big jump, Page 17
London stocks, Page 28

Consortium plans advanced chips

By Louise Kehoe in San Francisco

Semiconductor chip manufacturers in Japan and Europe have formed a consortium to develop advanced microprocessor chips, which they say will be twice as fast as today's computer "brain" chips and will sell for half of current prices.

The companies include Fujitsu, Toshiba, Matsushita Electric, NEC, Hitachi, Mitsubishi, Sony and Fuji Xerox, all of Japan; Texas Instruments Japan, the Japanese subsidiary of the US chip maker, and SGS Thomson Microelectronics of Italy.

The consortium is to be led by Professor Murakami of Kiushu University, who has developed a new type of chip technology that combines memory and logic functions on a single device.

The target applications for these chips will be multimedia and networking, the group said. These might range from devices that speed the processing of graphics and sound, to chips used in Internet equipment.

The consortium members plan to collaborate on developing and manufacturing the chips. The specifications will be set within 12 months, and the roles of the various companies determined, Texas Instruments said.

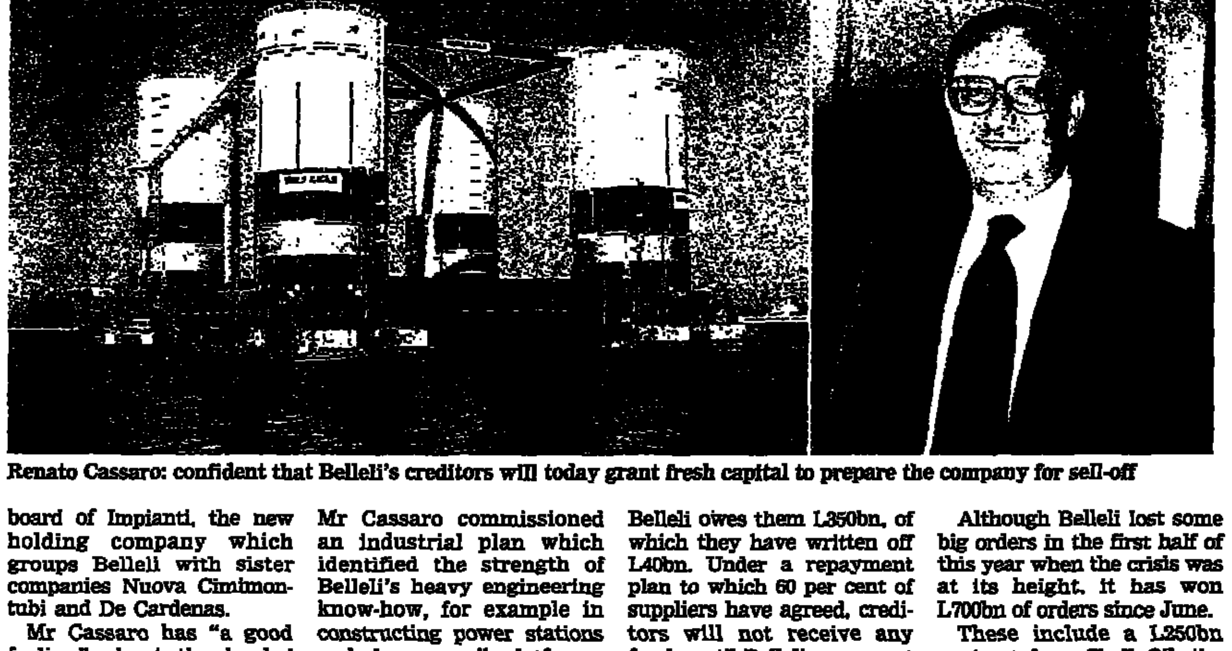
TI said it had joined the consortium to explore the potential application of the new chip technology to the development of digital signal processor devices. DSPs are widely used in multimedia applications.

The consortium aims to develop chips that outpace those built by Intel of the US, the world microprocessor market leader.

Intel said, however, that it did not see the group as a direct threat. "It appears that they plan to develop chips for specific functions, rather than general purpose microprocessors," Intel said. "If this is the case then their work may be complementary to Intel's efforts."

● Texas Instruments announced that it planned to build a second chip plant in Avezzano, Italy and to upgrade its existing plant there. TI has signed a four-year agreement with the Italian government worth $1.2bn, the company said. This will make TI the second-largest information technology investor in Italy, after IBM.

Decision day for Belleli's bankers



Renato Cassaro: confident that Belleli's creditors will today grant fresh capital to prepare the company for sell-off

Renato Cassaro, brought in to rescue Belleli, the Italian engineering contractor, advises anyone summoned to salvage a family-run company: "Ask for the keys of the house the moment the new management enters".

Invited in by Belleli's creditor banks a year ago, Mr Cassaro says one of the biggest handicaps was the Belleli family's reluctance to leave the management. The family "thought it [the crisis] was only temporary".

Recently, however, the company's founder, Mr Rodolfo Belleli, and his sons Riccardo and Stefano were voted off the board by the shareholders, which are the creditor banks.

Mr Cassaro, former managing director of Fintecna, a civil engineering company in the Iri holding group, took over as chief executive when Belleli entered court administration with L1,300bn ($853m) of debts.

Belleli is now on the point of overcoming the last obstacles to its restructuring and eventual sell-off. The creditor banks have been asked to decide by today if they will inject L50bn of fresh capital into the group, to make it more attractive to potential purchasers.

It is unusual in Italy for banks to become involved in running a family-owned business. But four representatives of the creditor banks are on the seven-strong board of Impianti, the new holding company which groups Belleli with sister companies Nuova Cimimontubi and De Cardenas.

Mr Cassaro has "a good feeling" about the banks' forthcoming decision. "I believe the banks understand the return on this investment will be higher than L50bn," he says.

The capital injection would make it easier to sell first De Cardenas, the environmental engineering company, for which negotiations are nearly complete; then Nuova Cimimontubi, an energy and petrochemical plants maker; and finally Belleli by the beginning of 1998.

On joining the company, Mr Cassaro commissioned an industrial plan which identified the strength of Belleli's heavy engineering know-how, for example in constructing power stations and deep-sea oil platforms. Some 85 per cent of Belleli's orders come from outside Italy.

By last summer, most of Belleli's creditor banks had agreed to act on the L1,300bn debt, of which L500bn was in the form of guarantees. The banks agreed to write off or convert into equity about half the remaining L800bn. The banks now control all the equity.

Belleli's 1,300 suppliers also have grounds for hope. Belleli owes them L350bn, of which they have written off L40bn. Under a repayment plan to which 60 per cent of suppliers have agreed, creditors will not receive any funds until Belleli comes out of court administration, expected by the end of March. The banks have provided Impianti with L31bn as an initial payment for suppliers that have signed up to the repayment plan. Mr Cassaro hopes this will encourage others to sign up.

The Belleli subsidiary expects losses of about L80bn this year, but aims to break even next year. About 800 of the group's 6,000 employees are in *cassa integrazione*, the state-subsidised lay-off scheme.

Although Belleli lost some big orders in the first half of this year when the crisis was at its height, it has won L700bn of orders since June.

These include a L250bn contract from Shell Oil, the US arm of the Anglo-Dutch petroleum group, for a drilling platform in the Gulf of Mexico.

Belleli set up a new company to handle the project, to reassure Shell that it would not use income from the contract to finance the rest of the group.

"Shell was a very important client for us because it represented continuity and the future of offshore," Mr Cassaro says.

John Simkins

Avenor in C$2.8bn takeover of Repap

By Robert Gibbens in Montreal

Avenor, one of North America's biggest newsprint groups, is taking over coated-paper producer Repap Enterprises in a deal valued at C$2.8bn (US$2.1bn).

The new Avenor will have annual sales of more than C$5bn and become Canada's largest paper producer.

"The merger moves Avenor into higher-value products," said Mr Paul Gagne, Avenor president.

Avenor will exchange one new share for every 4.25 Repap shares, valuing each Repap share at C$5, based on Tuesday's close for Avenor of C$21.20. This represents a total value of C$617m.

Mr Gagne said the merger would be favourable for Avenor shareholders in the medium term.

"This is a strategic consolidation within the North American pulp and paper market without adding new capacity," he said.

Avenor also assumes about C$2.2bn of Repap debt, and has arranged C$942m in new credit lines with five Canadian banks to support the debt. Two of the banks will take up C$215m of Avenor convertible debentures.

Mr Gagne said Avenor's debt-to-equity ratio would rise to 59 per cent, "but we will work aggressively to reduce that. Also, we will have access to significant tax advantages."

Mr David Common, of J.P. Morgan in New York, estimated that the deal priced Repap assets at about 70 per cent of replacement value.

"It's crown jewels. The coated paper mills in New Brunswick and Wisconsin are global low-cost producers and fine assets," he said.

Mr John Duncanson, an independent Toronto-based analyst, said Repap had been caught in the collapse of pulp and paper prices, but that prices would firm next year.

Mr George Petty, chairman of Repap, is tendering his 23 per cent stake in the company he founded. He will become a director of Avenor.

The new Avenor will have annual capacity of 1.5m tonnes of newsprint, 1.3m tonnes of market pulp, 1.2m tonnes of coated papers and uncoated freesheet, and 155,000 tonnes of kraft paper.

Last TV set maker in US to cut staff by 25%

By Richard Waters in New York

Zenith Electronics, the last remaining US manufacturer of television sets, yesterday unveiled plans to cut a quarter of its US workforce as it struggles to conserve a dwindling cash position.

The company, which is 55 per cent-owned by LG Electronics, the Korean group, also said it was in discussions with its lenders and expected to amend some of the terms of its lending agreements.

The news, which will result in 1,175 job losses, follows an eventful period for the company, which had once been written off as a casualty of competition from the Asian consumer electronics industry.

LG took control a little over a year ago and set about trying to stem Zenith's losses. However, the company has continued to wade through red ink, and has been through a changeover in its senior management.

Earlier this year, Zenith enjoyed an unlikely return to stock market favour when it announced an agreement with Microsoft to make high-speed modems capable of delivering Internet and other services to television sets. That news propelled its shares from $6 to a high of $26.

Since then, though, its stock has declined as it has become clear that the company has yet to solve the problems of its core television-making operation.

Yesterday, the shares fell a further $⅞, to $11⅞.

In the first nine months of this year, Zenith suffered an after-tax loss of $109m on sales of $860m, compared with a loss of $76m on sales of $879m the year before. The job cuts would lead to a restructuring charge of $25m in the fourth quarter and result in cost savings of about $20m next year, the company said.

Winner and loser count cost of Stadshypotek result

Mr Lars-Eric Petersson, Skandia chief executive-designate, showed no overt disappointment this week at the Swedish insurance group's failure to merge with Stadshypotek, the mortgage bank. Inwardly, however, he must have hoped for a more propitious run-in to his new job.

As the dust settles on Sweden's most intriguing takeover battle for several years, questions of future strategy loom large, both for Skandia and Svenska Handelsbanken, whose SKr22.9bn ($3.36bn) cash offer has been accepted by Stadshypotek's largest shareholder, the Swedish government, and its board.

Mr Petersson, who led Skandia's merger attempt, succeeds Mr Björn Wolrath at the turn of the year. Under his stewardship, the group will focus on developing its core Nordic life and non-life insurance business and its fast-growing unit linked (AFS) operations. Skandia's developing "niche bank" operation, SkandiaBanken, will seek to grab market share from Handelsbanken and Stadshypotek.

AFS is Skandia's most dynamic business. It has grown from 30 per cent of operating profits in 1995 to 42 per cent so far this year. Sales are expanding at 20 per cent annually and the company envisages AFS as a global force.

But expansion requires capital. Mr Petersson estimates AFS will need SKr5bn in fresh funds over the next five years. The plan was to meet this need from Stadshypotek's surplus capital; now the cash will have to come from elsewhere.

Analysts suggest a demerger of AFS as a way of freeing funds for continued expansion. Skandia has not ruled out the idea but says it will only be considered in a few years. Until then, AFS's ambitions may be curbed by lack of resources.

Indeed, Mr Wolrath says Skandia will be unable to enter as many new AFS markets as planned, and those it does enter will require geographic proximity to keep costs in check.

"Skandia has basically stood up in front of the market and appeared exposed," says Mr Marc Rubinstein, insurance analyst at BZW in London. He says the knowledge that Skandia needs capital is partly to blame for the 10 per cent fall in its shares since the Stadshypotek offer.

The likelihood, says Mr Rubinstein, is that the market will be asked to contribute new capital in two or three years. Meanwhile, Skandia may raise extra funds by divesting some non-life operations outside its core Nordic area.

Handelsbanken, having emerged as victor, now faces a stern challenge in making its purchase work. Its foray into a mature market, where it admits its market share will be under pressure from the outset, surprised many observers.

Handelsbanken's move is essentially a defensive response to restructuring in the Swedish financial services industry. It did not want Stadshypotek consumed by Skandia, which would have leap-frogged Handelsbanken to become Sweden's largest financial services group.

Nor did Handelsbanken want to be left behind in size terms by its banking rivals. Skandinaviska Enskilda Banken is widely believed to be interested in some form of Nordic mega-merger, while Swedbank is considered a potential candidate to bid for Föreningsbanken, the smallest and weakest of Sweden's top five commercial banks. Nordbanken, the partly state-owned bank, is also keen to participate in the restructuring.

There is also the burden of the deal – Sweden's largest cash offer – on Handelsbanken's balance sheet. The acquisition will lower its Tier One capital from 8.7 per cent of total assets to 4.8 per cent, although it predicts its strongly cash-generative record will lift the Tier One ratio to 6.2 per cent by the end of 1998.

Mr Arne Martensson, Handelsbanken chief executive, has previously cast doubt on the efficacy of big banking mergers. He now has to integrate Stadshypotek's network of 500 branches and 1,200 employees with Handelsbanken's existing mortgage lending operations.

Handelsbanken will also be watching its rivals keenly. Few believe the Stadshypotek takeover will be the last act in the consolidation of Sweden's financial sector.

Greg McIvor

Brussels to investigate Boeing-McDonnell deal

By Emma Tucker in Brussels

The European Commission said yesterday it would scrutinise the proposed merger between Boeing and McDonnell Douglas of the US, which is set to create the world's largest aerospace and defence company.

Mr Karel Van Miert, the EU competition commissioner, said the case was likely to be "complex and problematic" and that the investigation could last five months.

"It is pretty clear this concentration will have to be notified to our department," he said. "It looks as if there are certain questions to be asked about a dominant position."

Although the merger involves two US companies, the Commission has the power to demand alterations to the deal or even to block it, if it judges that it will harm competition inside the European Union.

The merged company would have 65 per cent of the world airliner market, almost double the share of its only rival, Airbus Industrie, which is made up of aircraft manufacturers from France, Germany, the UK and Spain.

Mr Van Miert said he expected to hear from Airbus once the merger of Boeing and McDonnell Douglas had been formally notified.

The Commission's merger task force will then have to establish whether the concentration reinforces a dominant position, either geographically or in certain product markets.

Under EU competition rules, the Commission is required to examine a merger if the combined global turnover of the companies is more than Ecu5bn ($4.01bn) and at least two of the merging companies have a combined turnover of more than Ecu250m inside the EU.

This case is complicated for Brussels, not only because it involves companies outside the EU, but also because under competition law the Commission cannot interfere in the military aspects of the deal.

Boeing and McDonnell Douglas announced the merger on Sunday. The new group, which will carry the Boeing name and employ 200,000 people, projects revenues next year of $48bn.

After a preliminary month-long investigation, the Commission will have to decide whether to open a full inquiry, which it will have four months to complete.

INTERNATIONAL NEWS DIGEST

Endesa faces action on takeover

Spain's stock market commission announced yesterday it was starting proceedings against Endesa, the state-controlled electricity company, for allegedly giving misleading information about the takeover of two other generators. The move, which could result in large fines being imposed on the company, Mr Feliciano Fuster, chairman, and Mr José Luis Palomo Alvarez, financial director, follows an initial investigation by the CNMV commission about the circumstances of the October bids.

The agreed bids, worth about Pta200bn ($1.54bn), gave Endesa 75 per cent control of the regional generators Sevillana de Electricidad and Fecsa, in which it already held 40 per cent and 49 per cent, respectively. Endesa initially told the commission, after newspaper reports about its move, that it had no plans or intentions to bid for control of the two companies. However, within a week it announced the takeover agreements. The commission said yesterday it had concluded Endesa was already planning the takeovers at the time of the denial.

The government holding company Sepi, which controls the 67 per cent state share in Endesa, also issued a similar denial. Endesa's move to increase its stakes was backed by the government, which is anxious to strengthen the group ahead of further privatisation planned next year. Control of the regional companies is seen as improving the group's position in electricity distribution and offsetting the impact of changes in the regulatory framework for the industry. *David White, Madrid*

China offer leaves out Salomon

Salomon Brothers, the US investment bank, has been excluded from a management role in a share offer by Beijing Datang Power Generation, which is set to be the first Chinese listing on the London Stock Exchange. The move follows the postponement of the issue last month after a dispute over pricing. Salomon had been the global co-ordinator for the issue, which is worth an estimated $300m and involves a simultaneous listing on the London and Hong Kong stock markets.

Salomon said that following extensive due diligence and structuring work over the past two-and-a-half years, it had undertaken pre-marketing in November in conjunction with the other joint lead managers, Kleinwort Benson and Wheelock NatWest Securities. According to Salomon, the three lead-managers had agreed on a price range. Datang rejected this pricing, apparently having pushed for a higher value. *John Ridding, Hong Kong*

LVMH gets DFS go-ahead

LVHM Moët Hennessy Louis Vuitton, the French luxury goods group, is to go ahead with acquisition of a majority stake in DFS, the San Francisco-based duty free shopping chain, after receiving approval from an arbitrator assigned to resolve a dispute with the minority shareholders. It is buying 58.75 per cent of the company from Mr Charles Feeney and Mr Alan Parker, two of the private company's four shareholders, for $2.47bn in cash. *Richard Tomkins, New York*

Coopers & Lybrand advances

Coopers & Lybrand, the global accounting network, yesterday announced fee income for the year to September of $6.8bn, against $6.2bn a year ago, up 9 per cent. The results are broadly in line with the rest of the Big Six, which ranged between 17 per cent growth for Andersen Worldwide to 8 per cent for KPMG. The worldwide accounting networks of the big firms do not disclose profit figures or other detailed financial information. Advisory services showed the strongest growth, ahead of traditional accounting and audit services. Management consultancy grew 14 per cent, compared with audit at 7 per cent. Geographically, growth was strongest in Asia Pacific at 14 per cent, against 8 per cent in Europe. Partner numbers dropped from 5,260 to 5,250 while total personnel rose from 71,150 to 74,000. *Jim Kelly, Accountancy Correspondent*

Fujitsu, ICL to integrate units

Fujitsu, the Japanese computer and electronics group, and its subsidiary ICL, the UK-based computer systems and services company, are to integrate their operations in Asia to raise efficiency in one of the fastest-growing markets. The two will merge their operations in Singapore, Hong Kong and Malaysia, with Fujitsu holding an 80 per cent stake in each of the new companies and ICL the balance of 20 per cent. The move follows the gradual integration of operations since Fujitsu took a majority stake in ICL in 1990. *Michiyo Nakamoto, Tokyo*

First Pacific, Unicom link

First Pacific, the Hong Kong-based conglomerate controlled by the Salim group of Indonesia, has teamed up with China United Telecommunications (Unicom), China's second telecoms network, in a mobile phone venture.

Through a joint venture vehicle with China Merchants, in which the conglomerate has a 60 per cent stake, First Pacific will support Unicom in the construction of a mobile telephone network in Shenzhen, Dongguan and Huizhou municipalities in the southern coastal region of China. *Louise Lucas, Hong Kong*

Placer, Highlands end dispute

Placer Dome, the world's fifth-biggest gold producer, is going ahead with its US$340m bid for all the shares of Highlands Gold, owner of 25 per cent of the big Porgera gold mine in Papua New Guinea. The two companies have settled a dispute over the mine's reserves and the bid price of 61 US cents per Highlands share. Placer supplied information demanded by Highlands, which then withdrew a threat of legal action. *Robert Gibbens, Montreal*

SA telecoms bidders combine

Rival bidders for a stake in Telkom, the state-owned South African telephone company, have joined forces ahead of the partial privatisation due next year. SBC Communications, the US-based telecoms company, and Telekom Malaysia confirmed they would bid jointly for a 20-30 per cent stake in Telkom. *Mark Ashurst, Cape Town*

هكذا من الأصل

Axa signals dominant role in UAP merger

By Andrew Jack in Paris

Axa, the French-based insurance group, yesterday confirmed the success of its friendly offer for rival insurer UAP, and gave a clear indication that it would be the dominant partner after the combination of the two groups.

Axa said that the detailed results of the takeover bid would be published on January 13 "but it is widely acknowledged to have been very successful".

The group's board made a surprise announcement in mid-November after an intense few days of negotiation, offering four of its shares for every 10 UAP shares, with additional financial instruments. This brought the price of the deal to nearly FFr50bn ($9.6bn).

Axa's statement yesterday came on the day that formal acceptance of the offer closed, and several days after the deadline under French stock market rules for an alternative bidder to make an approach for UAP.

In a clear indication that Axa would dominate, the group said it was "essential" that it ultimately use a single brand name around the world – and this would be Axa.

However, it said that, at least in the short term, the official name of the holding company would be Axa-UAP. The Axa brand name would be used for its insurance activities, while its asset management activities would continue to operate under their own names.

The group also unveiled yesterday its 16-person executive committee, of whom 10 are drawn from Axa and six from UAP. The committee will be chaired by Mr Claude Bébéar, Axa chairman.

Mr Bébéar will also be chairman of the combined group's executive board, which will comprise only two other members: Mr Gérard de La Martinière, of Axa, and Mr Michel Pinault, of UAP.

Mr Jacques Friedmann, UAP chairman, will head a new supervisory board, which will have Mr Jean-Pierre Ruault, UAP group corporate secretary, as its secretary. A maximum of 23 other members will be drawn from representatives of the combined group's shareholders and other outside representatives.

Axa said the 16-person executive committee would meet every six weeks to define and oversee "the group's strategic and financial orientations". Mr Friedmann will head a strategic committee with external and executive committee to discuss long-term strategy three times a year.

A decision will be taken on January 22 to issue the new Axa shares generated by the takeover and the "certificates of guaranteed value", which are designed to compensate UAP shareholders if Axa's share price is less than FFr392.50 in June 1999. Shareholders in the two groups will vote formally on the proposed merger of the two holding companies on May 12.

The executive committee of the combined group includes Mr Dominique Bazy, of UAP; Mr Michael Hart, head of UAP's UK subsidiary, Sun Life and Provincial; and Mr Henri de Castries and Mr Claude Tendil, both from Axa.

Entergy plans big jump after stride into UK

US utility expects to reap two-way benefits from its latest acquisition, writes Simon Holberton

Entergy has moved "into a new orbit, a new rank among global energy companies", according to Mr Ed Lupberger, president, chief executive and chairman at the New Orleans-based utility.

He was speaking of the significance for Entergy of its latest foray into foreign acquisitions: its £1.3bn ($2.17bn) bid for London Electricity, the company which supplies and distributes electricity to the capital.

Happily for Mr Lupberger, the deal is agreed, and was announced on the day the government raised no objection to Dominion Resources, the Virginia-based utility, buying East Midlands Electricity.

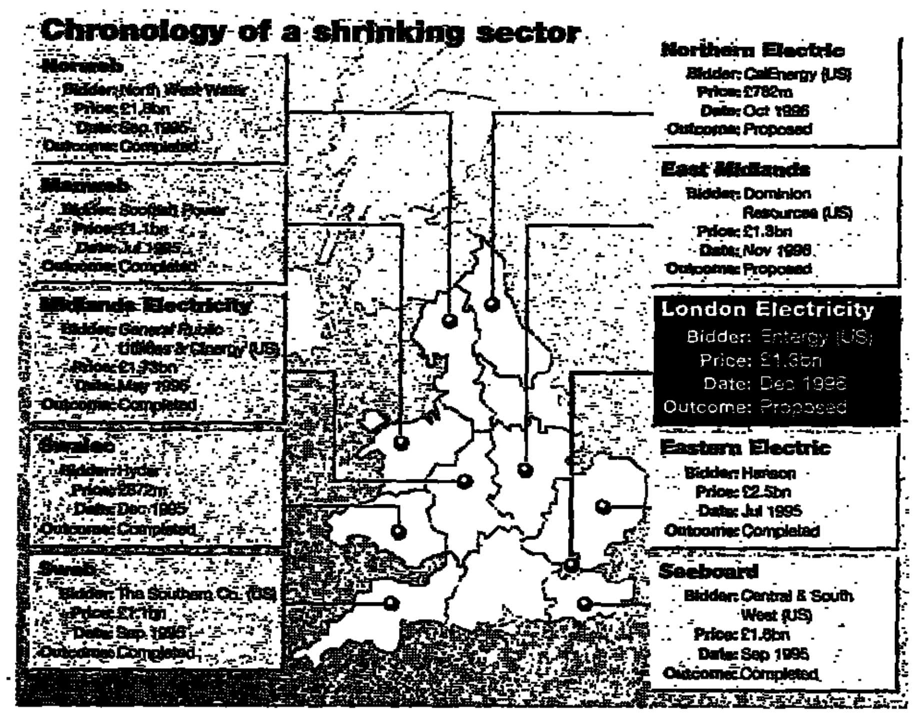
Entergy also appears to have pitched its offer at a high enough level – 6.8 times earnings before interest, depreciation and tax – not to incur the wrath of the UK's big investment institutions. They have been dissatisfied with the price CalEnergy, another US bidder, is offering for Northern Electric, and may well be powerful enough to deny the Nebraska-based independent power producer control of the Newcastle-based electricity company.

Entergy is one of the dominant utilities in the American south, serving 2.4m customers. It has generation (both nuclear and fossil fuel), transmission and distribution assets in Louisiana, Mississippi, Arkansas, and Texas. In the year to the end of 1995 it had a turnover of $6.3bn, consolidated net income of $335m, and assets of $24bn.

In common with utility managements in the UK, Entergy has sought greater efficiencies through aggressively managing its payroll. Since 1990, employment in its core business in the US has fallen from 18,100 to 12,600 in 1995.

Mr Lupberger likes to quote Dr Henry Kissinger, former US secretary of state, who observed: "People have to push organisations beyond where they think they can go." He says: "I'm a pusher and I'll be pushing this organisation [London] as I push my own."

Mr Lupberger says that his strategy is to enhance Entergy's status in the global energy market. The acquisition of London Electricity was a giant step in that direction, he adds.



Entergy has not, however, been backward in coming forward. A year ago it paid $1.2bn for City Power, an electricity distribution and supply company in Melbourne. It has invested nearly as much again in sizeable investments in Argentina and Peru; and it owns 10 per cent of the Hub River power station in Pakistan, which is managed and largely controlled by National Power, the UK generator.

The company's growth plans do not stop there. It is planning to invest about £400m in a 1,000MW combined cycle gas-fired power station in partnership with British Petroleum at Saltend, near Hull.

Entergy also says it wants to use the UK as the platform for future expansion on the continent. "A strong presence in the UK gives us a competitive advantage when we pursue privatisations or greenfield developments in Europe," says Mr Terry Ogletree, president of Entergy Power Group.

Mr Ogletree, who has spearheaded Entergy's international expansion, also says that the acquisition could have benefits for Entergy, which is facing moves by regulators to deregulate power markets in the US.

"The UK has led the deregulation of the power industry. It is several years ahead of Australia and Argentina and many years ahead of the US. Owning London Electricity will enable us to prepare better for deregulation in the US."

But Entergy also hopes to bring something to its UK business. Although Mr Lupberger likes to stress that in its expansion, Entergy has "stuck to its knitting", it is involved in the US in telecoms as well as security services. Both in time could be brought to London's business.

The company is currently involved in an international benchmarking exercise to find the best-managed electricity distribution company in the world. Those lessons will be applied throughout the Entergy empire.

Entergy's bid is structured similarly to other US bids for English electricity companies and will give Entergy a return on its investment of 12 per cent to 15 per cent. A UK company consisting of $400m of equity and $1.7bn of debt will own London Electricity.

From Entergy's point of view the whole $2.1bn will be new debt on its balance sheet. At last balance date it had $6.6bn of long-term debt.

There is, however, plenty of room to use London's balance sheet to raise cash and defray the cost. London currently has net debt of £249m, and gearing of 47 per cent.

"The wires business is a stable business that can support gearing at a higher rate," Mr Lupberger says.

Entergy met Professor Stephen Littlechild, director-general of Offer, the UK industry regulator, on Tuesday and came away believing they could raise London's gearing to 100 per cent without offending Offer.

Boland Bank, NBS in reverse takeover deal

By Mark Ashurst in Cape Town

Boland, a small Afrikaans retail bank, has created South Africa's fifth-largest banking group with the reverse takeover of NBS, a Natal-based niche bank. The new group will have assets of about R26.5bn ($5.63bn).

The deal will allow NBS to install outlets in about 3,000 supermarkets owned by the Pepkor retail group, whose chairman, Mr Christo Wiese, is also chairman of Boland Bank.

Mr Alan McConnochie, analyst at BoE NatWest, said previous forays into supermarkets and shopping centres, by Nedcor bank, had demonstrated the potential of the unbanked middle market.

This "crossover" market includes lower-income whites and high-income black and coloured populations.

Mr McConnochie expected NBS to launch a cheque-clearing operation to complement its core home-loan business and corporate lending activities. NBS, which does not have a clearing licence, could trade under the Boland licence, he said.

The deal valued NBS at R6.25bn and Boland Bank, whose subsidiaries include Boland Financial Services and SMK Securities, the stockbroker, at R1.84bn.

NBS will acquire the entire banking and financial services interests of Boland Bank in exchange for new NBS shares. The new paper will be held through Boland's holding company, Samgro.

Mr Wiese, who owns 92 per cent of Samgro, will own about 40 per cent of shares in the new group. Further details of the deal, which takes effect from April 1, have not been finalised.

Earlier this month, Mr Wiese bought a 20 per cent stake in NBS from Rand Merchant Bank, plus a further 5.5 per cent from an undisclosed shareholder, for a total of R1.5bn.

The latest deal, which hands control to Mr Wiese, will involve at least a further 15 per cent of NBS equity.

The shares were unchanged in a sluggish market, with NBS at R65 and Boland at R45.

Analysts said the forward price-earnings ratio of 18 on Boland shares was well ahead of the sector, and reflected widespread expectations that Mr Wiese's interest in Boland was "a prelude to something bigger".

Danisco ahead 8% at DKr851m midway

By Hilary Barnes in Copenhagen

First-half pre-tax profits at Danisco, the Danish distillers, sugar, food ingredients and packaging group, rose 8 per cent from DKr785m to DKr851m ($143.9m), on sales ahead 6 per cent from DKr7.82bn to DKr8.32bn.

Operating profits advanced 12 per cent from DKr839m to DKr939m, in spite of slow growth in profits by the sugar and packaging divisions. Growth in pre-tax profits was held back by a DKr34m rise in net financial costs to DKr88m, reflecting, the interim statement said, a higher level of interest-bearing debt at the start of the accounting year.

The group said that it expected its full-year results to meet earlier forecasts of an increase of between 10-12 per cent.

The shares closed at DKr336, an advance of DKr5 on the day.

Gulf Canada launches £432m bid for Clyde

By Jane Martinson and Bernard Simon

Gulf Canada Resources, the international oil and gas group, yesterday launched a £432m ($708.5m) hostile bid for Clyde Petroleum, the UK-based independent oil company. The bid brings to seven the number of hostile takeovers currently being waged in the UK market.

Clyde shares rose 34p to 118½p yesterday, above the 105p a share cash offer, suggesting expectations of a better offer.

Mr JP Bryan, Gulf president and chief executive, described the offer as a "full price".

Clyde, which would be the company's biggest takeover so far, offers Gulf a toehold in the UK's North Sea as well as production in Australia and Indonesia. Gulf has interests in western Canada, Indonesia and the US. The company would set up a London office if successful.

Clyde attacked the bid as "unsolicited and wholly unacceptable". Mr Malcolm Gourley, chairman, said: "It doesn't reflect what the company has achieved, what it has got in its locker and what is likely to be the story of the future." Mr Gourley first heard of the bid via a Gulf call at 7am yesterday.

Clyde, which is being advised by Robert Fleming, told shareholders to wait for further information.

Five institutions own more than half of Clyde with PDFM and Schroders owning almost 40 per cent between them. One investor said yesterday that he was happy to wait for Clyde's letter.

Analysts were divided about the bid's value. Gulf said it was prepared to pay a 69.4 per cent premium to the 62p net asset value as it believed it could add value, chiefly because of a better exploration record.

NatWest Markets estimated that the deal offered a multiple of six times' Clyde's 1997 cash flow which was "pretty generous for the UK sector".

The strength of the UK oil sector this year, buoyed by high oil prices, also prompted some to query the timing of the bid. Clyde's shares have risen from a low of 56p in January.

But Mr Bryan said that Clyde's acquisitions this year – it has bought fields in Australia and Indonesia – had made it more attractive. The bid would also not have been possible until now because of a turnround in Gulf itself, he said.

It aims to raise C$1bn debt to pay for the acquisition, bringing its total to C$2.2bn and making the group "overly leveraged", according to Mr Bryan. To redress this the group will sell a number of "non-core assets" and issue shares.

Gulf's shares were down 25 cents at C$9.35 in Toronto early yesterday afternoon.

Rexam plans to sell off 20 businesses

By Michael Lindemann

Rexam, the packaging company, is to sell about 20 businesses as the newly-installed management moves to restore the group's flagging profitability.

The businesses for sale have a combined turnover of £303m ($497m) representing 12.4 per cent of Rexam's £2.45bn 1995 sales. Together they reported an annual operating loss of £2m.

The disposals, foreshadowed in September as the company published its interim results, are part of an effort to restructure Rexam's broad-based packaging businesses and focus on areas of more profitable growth. Interim pre-tax profits at the group fell from £111m to £83m on unchanged sales of £1.15bn.

Mr Rolf Börjesson, a Swede who took over as Rexam's chief executive in July, declined to identify the businesses which are for sale. However, the company said that the disposals would not affect its health care and the building and engineering businesses.

Mr Börjesson said the businesses for sale were "basically sound". However, "there are companies out there where they would be better looked after".

He said he hoped to sell the companies "as soon as possible", but the priority was to find "a better parent".

Rexam's shares, which reached a high of 410p earlier this year, edged up 4½p to close at 341p on the announcement, reflecting investors' relief that the company was pressing ahead with the planned sell-offs.

Analysts estimated the disposals could raise between £30m and £150m. However, they suggested it was not an ideal time for Rexam to be selling the businesses, because of difficult trading conditions in the packaging industry.

Management buy-outs may be a possibility, they said. Failing that, Rexam may close the businesses which together employ about 4,000 of Rexam's 37,400-strong workforce.

Rexam has already sold activities this year with combined sales of £216m.

Mr Börjesson has said Rexam would keep building and engineering and packaging because they are profitable and cash-generative.

Electra invests record sums in unquoteds

By Katharine Campbell

Electra Investment Trust, which specialises in private equity, invested record sums in unquoted companies in the past year and increased its net asset value by 18.5 per cent to 522.13p.

It also realised larger amounts from its unlisted portfolio – which accounts for 73 per cent of the total – than in previous years.

This strong performance in the year to September is one factor behind the proposed final dividend of 4.5p, making a total of 8.4p, up 11.3 per cent.

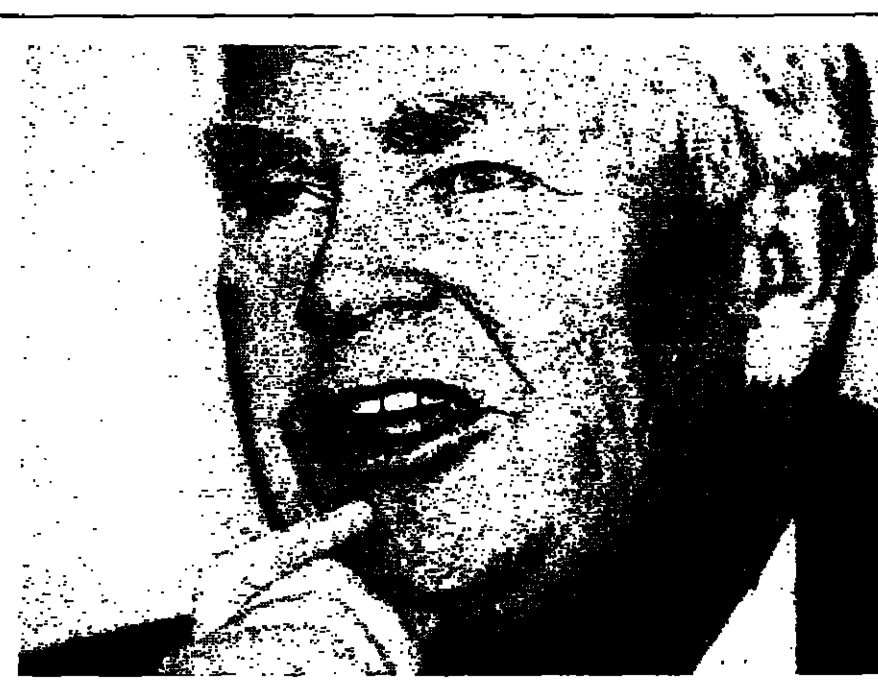
New unlisted investments amounted to £230m ($377m) almost 90 per cent higher than in 1994, the previous most active year. "It is very unpredictable, we never know which deals we are going to get," said Mr Hugh Mumford, managing director of Electra Fleming, which manages the trust's portfolio.

While Mr Mumford acknowledged that competition between venture capitalists with large sums to invest is driving up prices paid for businesses, he said: "There is no evidence [Electra has] overpaid. The deals are almost universally performing in accordance with or above our expectations."

The trust realised £183m from its unlisted portfolio, thanks largely to an active year for flotations.

While Electra has traditionally concentrated its efforts in the UK and the US, it is – like its peers – starting to diversify into continental Europe, where it completed four transactions for a total of £23m. It also completed five small deals in the Asia Pacific region.

But overseas activities are dragging down overall performance. The unlisted portfolio appreciated more than 30 per cent in UK, but just 16 per cent in the US, so that the overall capital appreciation of the unlisted portion amounted to 25.6 per cent.



Brendan Corr

Michael Stoddart, chairman of EIT, which has comfortably outperformed the All-Share

Wessex in 25% share buy-back

By Leyla Boulton, Environment Correspondent

Wessex Water yesterday proposed the repurchase of 25 per cent of its shares to enhance earnings per share and eliminate US-owned Waste Management International as a 19.5 per cent shareholder in the company.

It would leave Wessex with "enough firepower" to pursue acquisitions in the waste business through UK Waste – its joint venture with WMI that would be unaffected by the Wessex stake sale – and in the water sector abroad.

Wessex is tendering to buy back 10 per cent of the ordinary shares not held by WMI, as well as all the shares of small investors owning 200 shares or fewer, at 380p. It hopes to complete this by February 1.

WMI plans to sell its outstanding 3.3 per cent stake in Wessex, or 6.5m ordinary shares, on the open market in the course of next year.

WMI, the overseas operations subsidiary of WMX Technologies, the US waste group which has sought to divest non-core assets, said it would use the proceeds to reduce its £750m debt.

Northern's advisers buy shares

By Peter John

Advisers to Northern Electric bought 2.3 per cent of its shares yesterday, supporting its client's attempts to beat off a £782m ($1.28bn) hostile bid from CalEnergy of the US.

BZW, Northern's broker, bought 1.59m shares representing 1.56 per cent of the company. It paid 645p a share – a discount of 5p to CalEnergy's offer price. Schroders, Northern's financial adviser, bought a further 770,000 shares.

BZW said: "We are supporting our client which has delivered for its shareholders in the face of a bid which is far too low."

CalEnergy complained to the Takeover Panel and the company said yesterday: "This is clearly designed to frustrate the bid."

The move could shift the balance in a bid that closes tomorrow and which analysts have said is too close to call. CalEnergy owns or has acceptances for 34 per cent of Northern's capital.

Northern has produced a spirited defence and believes it can count on up to 40 per cent of outstanding shares, including the 17 per cent of small shareholders in its Newcastle homeland.

Of the remaining shareholders, many are investment funds and arbitrageurs. Yesterday's raid by BZW and Schroders was designed to pick up stock from arbitrageurs who would be expected to accept CalEnergy's hostile offer.

Known as "getting stocks in the box" in the UK, it is controversial because Northern itself is not allowed to buy shares without going through the cumbersome process of getting shareholders' approval.

One precedent came in July this year when SBC Warburg, acting as merchant bank for Goldsborough Healthcare, bought 4.1 per cent of its client's shares and helped it to thwart a bid from Westminster Health Care Holdings.

Northern, which has maintained that CalEnergy's offer undervalues the company, welcomed BZW's action. The company also took heart from yesterday's bid by Entergy for London Electricity. It claimed the Entergy offer put Northern on a valuation of 780p a share in terms of cash flow multiples.

However, several analysts were sceptical about this calculation. Mr Adam Forsyth of NatWest Securities argued that the offer for London translated to only 700p a share for Northern.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Anglesey Mining	6 mths to Sept 30	-	(-)	0.042L	(0.034L)	0.1	(0.1)	-	-	-	-	-
Creighton's	6 mths to Sept 30	5.04	(5.2)	1.39L♠	(0.507)	22.9L	(7)	nil	-	2.2	-	3.2
Cruden Bay	6 mths to Oct 31 ☆	2.27	(0.042)	0.042L	(0.023)	0.27L	(2.92)	-	-	-	-	-
Dawson Holdings Φ	Yr to Sept 30	428	(332)	9.8	(3.5)	131.6	(36.1)	28	Mar 28	20	40	30
First Choice	Yr to Oct 31	1,013	(933.6)	10♥	(1.3♥)	2.1†	(1.6L)	1.4	Apr 22	2.45	2.8	3.85
Freepages Φ	Yr to Sept 30	4.72	(1.64)	10.1L	(1.91L)	3.03L	(-)	-	-	-	-	-
Hartstone	6 mths to Sept 30	95.6	(104.7)	2.1L♠	(2.93)	0.8L	(0.8)	0.16	Feb 12	0.16	-	0.48
Oceonics	6 mths to Sept 30	7.22	(8.21)	2.7♥	(1.57)	3.9	(5.1L)	-	-	-	-	-
Richards	Yr to Sept 30	62.9	(64.8)	2.37L♠	(1.14L♠)	10.63L	(5.45L)	0.93	Mar 3	0.93	2	2
Rolfe & Nolan	6 mths to Aug 31	8.63	(7.66)	1.11	(1.07)	5.57	(5.35)	1.7	Jan 28	1.6	-	4.8
Sperati (CA)	Yr to Oct 31	1.06	(1.24)	0.092	(0.11)	67.01	(80.43)	25	Apr 10	25	25	25
Stanelco §	8 mths to Oct 31 ♦	1.26	(1.62)	0.03	(0.014L)	0.005	(0.011L)	-	-	-	-	-
Thomas Potts	4½ mths to Sept 30	1.34	(-)	0.34	(-)	0.13	(-)	0.0533	Feb 18	-	-	-
Weeks Φ	6 mths to Sept 30	6.34	(5.98)	0.497♠	(0.348)	0.3	(0.21)	0.04	Jan 31	nil	-	0.09
Zergo Φ	6 mths to Oct 31	4.67	(4.01)	0.237	(0.479L)	1.81	(5.47L)	-	-	-	-	-

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Electra	Yr to Sept 30 ★	522.13	(440.49)	18.5	(17.6)	10.68	(10.19)	4.5	Feb 17	3.85	8.4	7.55
Murray Smaller	6 mths to Nov 30 ★	498	(462.2)	2.09	(1.74)	3.7	(3.1)	1.8	Jan 6	1.6	-	5.05

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ☆Comparatives to June 30 1995. ΦAim stock. §USM stock. ♦Comparatives for 12 months to February 29. ★Comparatives restated.

Pearson rises on trading statement

By Raymond Snoddy

The shares of Pearson, the media and entertainment group, rose 22p yesterday to 711½p after the company issued a trading statement confirming that performance was in line with expectation.

Analysts expressed relief that the statement said trading conditions in the second half of the year were in line with the first half, and group plans were "as previously announced".

Mr John Makinson, finance director of Pearson, whose interests include the Financial Times, said "No surprises at all. A yawn-making trading statement."

In entertainment, Pearson said Penguin's results would be in line with expectations although Pearson Television had made a strong advance in operating profits.

Mindscape, the loss-making consumer software and CD-Rom publisher, was trading in line with the strategy outlined at Pearson's annual meeting when losses, including restructuring costs, were expected to reach £46m.

Pearson confirmed that the cost of retuning millions of video recorders prior to the launch of Channel 5 could be £150m of which it will pay 25 per cent.

In information Les Echos in France would turn in "a resilient performance".

There were two small negative elements. One involved Recoletos, the Spanish newspaper group which had continued to invest in printing centres and in promotion. The other involved the strengthening of the pound.

James Capel is looking for pre-tax profits of £250m for 1996 and £337m in 1997.

Bell offer for rest of Videotron

By Christopher Price

Bell Cablemedia yesterday embarked on the latest stage of the merger which will create the UK's largest cable operator when it announced an offer for the minority holding in Videotron.

The offer follows the agreement in October between Cable and Wireless, Bell Cablemedia and Nynex CableComms to merge their UK telecoms and cable interests in a deal valuing the constituent parts at about £5bn ($8.2bn).

Videotron was also included in the merger deal, with Bell Cablemedia buying a 56 per cent stake in the Canadian-controlled company to add to its own 26 per cent holding.

The shares in Bell and Videotron, the UK's third and sixth biggest cable companies, are quoted on Nasdaq in the US.

The recommended cash offer of $19.75 per Videotron ADS, or $3.95 a share, is for the 18 per cent of the shares Bell does not already control. It is at the same price offered by Bell for the 56 per cent stake in October, which was completed on Tuesday and precipitated yesterday's offer. The offer values Videotron at more than $1bn.

Videotron has 11 franchise areas covering more than 1.26m homes in the UK, of which approximately half are able to receive cable, and about a quarter subscribing for either television or telecoms services.

Bell Cablemedia is using the $338m provided by C&W, which took a 32.5 per cent stake in it as part of the merger agreement, to help pay for the purchase.

Dominion wins DTI bid approval

By Jane Martinson

Mr Ian Lang, the trade and industry secretary, yesterday cleared the second bid in less than a week by a US utility for a UK regional electricity company.

The decision not to refer Dominion Resources' £1.3bn ($2.15bn) agreed takeover of East Midlands Electricity to the Monopolies and Mergers Commission echoes that taken last Friday over CalEnergy's hostile £782m bid for Northern Electric.

The Virginia-based utility had already announced that it had won acceptances for 32.8 per cent of East Midlands. It was understood that this relatively low figure for a recommended deal was primarily because of lingering uncertainty about the referral.

The shares closed 4p higher at 661½p, although still below the 670p offer price. Analysts said the time-value of money was causing the discrepancy as few doubted that the deal would not now succeed. Dominion was expected to receive further acceptances today.

Mr Lang said there were no reasons to refer the bids on the grounds of competition or because they were against the public interest. He described the decisions as a continuation of "my policy to consider each merger on its individual merits, and to take decisions on whether to refer mergers to the MMC primarily on competition grounds".

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 19.12.96: Pool purchase price £/MWh	Final Prices for Trading on 21.11.96: Pool purchase price £/MWh	Pool selling price £/MWh
0030	11.90	11.73	11.73
0100	16.08	12.51	13.46
0130	29.95	43.21	44.15
0200	28.95	43.21	44.15
0230	28.05	23.83	24.77
0300	31.31	23.83	24.77
0330	31.31	12.14	13.08
0400	12.84	23.83	24.77
0430	12.84	12.51	13.45
0500	12.84	12.51	13.45
0530	11.74	16.02	16.96
0600	11.74	16.02	16.96
0630	11.86	16.43	17.37
0700	22.28	16.03	16.97
0730	23.19	16.87	17.97
0800	23.84	18.64	19.78
0830	23.86	24.37	25.82
0900	23.87	29.25	30.63
0930	28.67	55.28	56.74
1000	28.67	55.34	56.80
1030	26.39	55.06	56.46
1100	26.39	19.23	20.54
1130	27.15	19.18	20.54
1200	28.69	19.62	21.07
1230	28.69	24.96	26.40
1300	28.68	24.64	25.99
1330	29.33	18.39	19.50
1400	29.33	17.67	18.80
1430	29.32	17.40	18.49
1500	29.32	17.38	18.47
1530	29.38	18.81	20.11
1600	32.16	39.04	46.90
1630	50.89	145.26	179.12
1700	83.58	294.76	343.52
1730	87.32	313.81	369.76
1800	75.28	224.83	258.72
1830	52.91	81.72	95.87
1900	34.77	43.71	49.93
1930	32.16	28.82	29.87
2000	31.74	21.86	23.49
2030	25.15	18.74	19.90
2100	23.82	17.81	18.84
2130	25.13	17.14	18.09
2200	23.81	16.78	17.73
2230	22.82	16.49	17.42
2300	11.89	16.43	17.37
2330	11.76	14.53	16.46
2400	11.74	11.72	11.72

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.80/MWh becomes 1.680p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool pooling arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 8788 between 8:30am and 5:15pm Monday to Friday.
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TECHNOLOGY

Goya's vision: discovering what predisposes people to depression will help researchers *Picture: Bridgeman*

Upbeat on depression

Clive Cookson on recent progress in the search for the genes which control our moods

The search for genes that affect mood and personality took an important step forward this month, with the first identification of a genetic mutation that makes people more susceptible to anxiety and depression.

Of course mood disorders result from an immensely complex interaction between genetic and environmental factors. But scientists believe that fewer than a dozen genes will turn out to be responsible for most susceptibility to depression. Discovering them will help pharmaceutical researchers to develop more effective antidepressant drugs.

The first one to be identified is the gene for "serotonin transporter protein", a molecule that controls the level of serotonin in the brain. Serotonin is a chemical messenger or neurotransmitter whose balance is known to affect mood; indeed the present generation of antidepressants, known as selective serotonin re-uptake inhibitors, or SSRIs, act by increasing the activity of serotonin.

The promoter region of the serotonin transporter gene, which regulates its activity, comes in two alternative forms, known as alleles. Both occur commonly in the general population.

The DNA is shorter by 44 chemical "letters" in one allele than in the other. And the short form is less efficient than the long one at producing serotonin transporter protein.

In two separate international collaborations, Klaus-Peter Lesch and colleagues at Würzburg University, Germany, studied the association of the two serotonin transporter alleles with personality traits in more than 1,000 volunteers. They found that people with the short form were more likely to have an anxious or neurotic personality and to suffer from clinical depression.

The study concentrating on anxiety, published in Science, was carried out with scientists at the US National Institutes of Health. The one on depression, published in Molecular Psychiatry, was a collaboration with the Institute of Psychiatry in London and SmithKline Beecham, the UK pharmaceutical group.

Having the short allele will not by itself make you an over-anxious person, let alone give you depressive illness – which is just as well, since it is present in almost 70 per cent of the population. The researchers calculate that the serotonin transporter gene is responsible for 8 per cent of inherited variations in anxiety-related personality traits and 30 per cent of the risk of suffering depression serious enough to require hospital treatment.

The results may seem paradoxical to pharmacologists, says Gareth Roberts, director of molecular neuropathology research at SmithKline Beecham. They contradict the simple model of how SSRI depressants such as Eli Lilly's Prozac and SmithKline Beecham's Seroxat work.

According to this simple view, people with depression have abnormally low levels of serotonin available in the synapses – the narrow gaps between brain cells – to transmit signals from one cell to the next. An SSRI raises the level by inhibiting the "re-uptake" process, in which serotonin is absorbed back into the cells for use again.

Pharmacologists had thought that the drugs worked by immobilising the transporter protein, which helps to carry serotonin molecules back into the cells. But the new genetic studies suggest, on the contrary, that reduced activity by the transporter protein is associated with depression.

"I think this is going to blow apart pharmacological thinking," Roberts says. "The genetics and pharmacology are giving us opposite hypotheses. Resolving the contradiction will give us new insight about the biology of depression – and clues for developing better therapy."

Two SmithKline Beecham researchers, Carol Routledge and Derek Middlemiss, have already come up with a provisional resolution of the contradiction. Their explanation involves variations in serotonin transporter in different regions of the brain and complex feedback mechanisms that come into play when their levels change.

A patient starting a course of antidepressants typically takes two or three weeks to respond, as the whole brain establishes a new equilibrium between neurotransmitters, transporter proteins and receptor sites on the cells. If the simple SSRI picture were correct, the drugs would act much more quickly.

Although the list of candidate genes for behavioural traits and psychiatric diseases is still short, it will expand very quickly, predicts David Goldman, head of neurogenetics at the US National Institute on Alcohol Abuse and Alcoholism, in a commentary on the Science paper.

More than 200 genes for neurotransmitters and associated molecules have already been cloned, he says, and "many of these will possess functional variants that contribute differently to behaviour – after all, alleles are why behaviours are heritable."

Detailed knowledge of the way different genes contribute to depression will not only lead eventually to improved drugs. It will also enable psychiatrists to tailor treatments better to patients, as genetic tests indicate the type of depression from which they are suffering.

"At present there are no clear guidelines as to which antidepressant a patient will respond to," says Francis Mondimore, a clinical psychiatrist at the University of North Carolina and author of the book *Depression, the Mood Disease*. "It's a matter of chance which one you start with, and you may have to try several drugs before you find the one that suits a particular individual."

Mondimore believes the discovery of depression genes will help patients in another way too. "It will help people to see depression as a real illness that can be treated by medication," he says.

The overall contribution to depression of genes, as opposed to environmental factors, is still uncertain. "The data varies so much between studies that it's hard to put a finger on it," says John Kelsoe, professor of psychiatry at the University of California, San Diego.

Kelsoe is collaborating with Novartis, the Swiss pharmaceutical group, on a programme to discover the genes for bipolar disorder – the disease formally known as manic depression, in which the mood swings between overactivity and depression. "We have focused on it because it has a stronger genetic component than unipolar [normal] depression," he says.

One candidate gene for which Kelsoe and colleagues have evidence of a linkage with bipolar disorder is the transporter for another important neurotransmitter, dopamine.

The total genetic contribution to bipolar disorder is probably in the region of 60 per cent to 70 per cent. For unipolar depression, the corresponding figure is perhaps 30 per cent to 40 per cent.

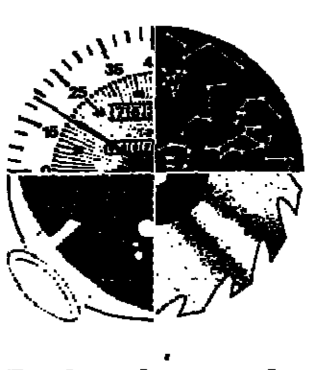
However, a recent international survey by Myrna Weissman and colleagues at Columbia University, New York, suggests that social and cultural factors make a big difference. The lifetime risk of suffering serious depression ranges from only 1.5 per cent in Taiwan and 2.9 per cent in Korea to 16.4 per cent in France and 19 per cent in Lebanon.

Some people seem to fated by their genes to suffer serious depression, whatever happens in their lives. Others are liable to be depressed in adverse social or emotional circumstances but not if things go well. And a fortunate few retain a psychological resilience in face of terrible personal disasters.

Have a Happy Christmas.

The series on human genes continues next month with a look at diabetes.

Worth Watching · Vanessa Houlder



Paving the way to less pollution

A stretch of Osaka pavement is being used to test a new design of paving stones that can cleanse the air of one of the main pollutants from traffic exhaust.

The surface of the concrete paving blocks contains titanium oxide which, in the presence of sunlight, undergoes a catalytic reaction that removes nitrogen oxides from the surrounding air. The process creates nitric acid, which is washed away by rainwater.

The material, which was developed by Mitsubishi Materials Corporation, a Japanese metals and cement manufacturer, will be sold in Japan next year at a price of Y1,2000 (£65) per sq m.

Laboratory experiments showed that the treated concrete blocks removed as much as 80 per cent of nitrogen oxides from the air.

Mitsubishi Materials: UK, tel (0)171 236 0130; fax (0)171 489 1624.

Pay for fuel from the driving seat

A new payment system could end petrol station queues. Drivers using 50 Mobil stations in St Louis, Missouri will be able to pay for fuel using electronic tagging technology instead of cash or credit cards.

Customers are issued with transponders, each of which has an identification code that allows the service station's computer to charge their credit cards for the fuel.

The transponder, which can be attached to the windscreen, a keyring or carried as a credit card, emits a signal which is read by a device on the fuel pumps.

The Pegasus Speedpass payment system is based on Tiris, Texas Instruments Registration and Identification System, which uses radio frequency technology to detect and track objects and people.

Texas Instruments: US, tel 214 9171451; fax 214 9171440.

Complexity clues to medical matters

Research in non-linear dynamics, a branch of mathematics concerned with complex phenomena, is finding applications that range from finance to engineering. Now medical researchers are trying to apply it to the analysis of signals such as blood pressure and electrocardiograms.

Knoll, a subsidiary of BASF based in Ludwigshafen, Germany, is exploring this approach using research by the Max Planck Institute for Extraterrestrial Physics in Garching, near Munich.

The company plans to use the new technology in its cardiovascular research, which involves complex feedback mechanisms. It believes that the technique, which helps it understand how the system works as a whole, could speed up selection and clinical development of drugs and improve the monitoring of the patients' response to therapy.

Knoll: Germany, tel 6215891536; fax 6215891562.

Insect research takes wing

Scientists at Cambridge University believe they have cracked one of the mysteries of aerodynamics: how insects fly.

The problem that has perplexed researchers is that the lift achieved when insects flap their wings does not comply with the known laws of aerodynamics.

Researchers photographed streaks of smoke passing over the wings of tethered hawkmoths – and a scaled-up mechanical model – flapping in a stream of moving air. They concluded that the extra lift is generated by a spiral vortex that travels along the leading edge of the wing, from base to tip, according to a report in today's Nature magazine.

University of Cambridge: UK, tel (0)1223 336668; fax (0)1223 336676.

CONTRACTS & TENDERS

INTERNATIONAL CAPITAL MARKETS

Spread widening fuels Emu fears

GOVERNMENT BONDS

By Samer Iskandar in London and Lisa Bransten in New York

The 10-year yield spread of Spanish government bonds over German bunds yesterday widened slightly, reinforcing some analysts' view that the convergence process was coming to an end.

Analysts at BZW in London warned that "market expectations of a further 100 to 150 basis point cut in Spanish interest rates look unjustified".

BZW is sticking to its current forecast that the 10-year spread of bonos over bunds should reach 175 basis points. It stood at 118 basis points yesterday, up from 117 points on Tuesday.

"The market has gone a long way in discounting Spain's participation in Emu from the first round," said Mr Mark Capleton, international bond strategist at BZW.

He said this was mainly reflected in the swaps market, which predicts that the yield spread between Spanish and German bonds will tighten to 30 basis points in coming years. "We are not convinced that Spain will be in Emu from the outset," Mr Capleton said.

As a result, BZW has downgraded both Italian and Spanish bond markets to "aggressively underweight". Since the recommendation on bunds is still "underweight", BZW's stance translates into a recommendation to reverse existing convergence trades.

The March future on 10-year bonos closed at 111.02, up 0.10. It underperformed Liffe's March bund future, which rose 0.20 to 100.02.

Bunds were buoyed by the release of weaker than expected monetary growth data, showing that the M3 aggregate had risen by 8 per cent in November, against market expectations of 8.4 per cent.

UK gilts weakened in the morning, after the release of strong employment and retail sales data. Liffe's March long gilt future fell to a low of 108¾, before recovering to close at 108$\frac{11}{16}$, unchanged from Tuesday. Short-term rates also suffered, but failed to recover. As a result, the sterling yield curve flattened by 15 basis points between three months and 10 years.

The 95,800 fall in the number of unemployed, the largest decrease since the government started tracking unemployment, reignited fears that future rises in the base rate might have to be larger than the chancellor is anticipating.

US Treasury prices were mostly flat in early trading as Wall Street awaited the results of the afternoon sale of two-year notes.

Near midday in New York, the benchmark 30-year Treasury had added ⅛ at 97⅞ to yield 6.632 per cent, while at the short end of the maturity spectrum existing two-year notes were unchanged at 99¾, yielding 5.847 per cent. The March future on 30-year bonds traded in Chicago, lost ⅛ at 112⅞.

Traders were hopeful that decent demand would be shown at the auction, especially in the wake of sharp losses that have driven yields higher since the start of the month.

By midday yesterday, the yield of the two-year note had added about 24 basis points since the end of November, and the long bond's yield had risen 32 basis points in the same period.

Later in the afternoon the Treasury was to announce the results of its auction of $18.25bn of two-year notes, and sell $12.5bn of five-year notes. This new supply has been one of the factors putting pressure on the market during recent sessions.

Guilder issue pick of quiet day's trading

INTERNATIONAL BONDS

By Conner Middelmann

The eurobond market saw another sprinkling of deals in quiet trading, with a Dutch guilder bond for Batavia Credit Card Corp, a special purpose vehicle, featuring most prominently.

The issue was for Fl 600m – increased from Fl 500m after strong demand – of triple-A rated, 10-year bonds priced to yield 35 basis points over Dutch government bonds.

The bonds are collateralised by Batavia's holdings of Citicorp Master Trust floating-rate notes, which are themselves backed by credit card receivables.

According to an official at bookrunner Morgan Stanley, the bonds were placed mainly with Dutch institutions as well as some continental European and UK funds keen on long-dated guilder bonds with a triple-A rating and offering an attractive yield spread.

He said most of the deal was placed yesterday, and the bonds closed at a spread of 35 basis points on the bid price.

In the sterling sector, Swedish Export Credit launched a £110m issue of three-year unlisted bonds targeted at Japanese retail investors. According to an official at bookrunner IBJ International, Japanese retail investors have been keen to diversify their currency exposure away from US, Australian and New Zealand dollars, and have been attracted by the high yields offered by sterling bonds.

Elsewhere in the sterling sector, Hanson, the UK conglomerate, announced it was redeeming its £500m issue of 10 per cent bonds due April 18 2006 following approval by a special bondholders' meeting.

The bonds are being repurchased at a price of 110.61, which represents a spread over gilts of 45 basis points. They traded recently at a spread of about 60 basis points, but the spread had been as wide as 95 basis points early in the year after Hanson announced its demerger plans.

The Italian domestic bond market saw the launch of the longest-dated corporate bond yet: L200bn of 10-year bonds for Parmalat, the world's largest dairy company.

The bonds, which are being privately placed by lead manager Union Bank of Switzerland, carry a coupon of 7.35 per cent, which the issuer has the option to convert into a floating rate of 35 basis points over Italian treasury bills after five years.

The recent sharp decline in Italian interest rates has made it possible for Italian corporates to issue such long-dated bonds, as investors are keen to lock in long-term yields around current levels, a UBS official said.

In the French domestic market, Bouygues, the construction and telecommunications company, announced the terms of its forthcoming bond issue – its first in over 12 years – which is expected to be launched today.

It plans to issue FFr1.5bn of seven-year domestic bonds at a yield spread of 46 to 48 basis points over French government bonds. Banque Nationale de Paris and Crédit Lyonnais are joint lead managers.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
STERLING							
Swedish Export Credit‡	110	6.609	100.00	Jul 1999	0.50	-	IBJ International
GUILDERS							
Batavia Credit Card Corp(b)	600	6.125	100.00R	Dec 2006	0.325R	+35(6¼%-06)	Morgan Stanley & Co Intl
NEW ZEALAND DOLLARS							
Nordic Investment Bank‡#	70	6.750	100.00	Sep 1999	0.50	-	Tokyo-Mitsubishi Intl

Final terms, non-callable unless stated. Yield spread (over govt bond) at launch supplied by lead manager. ‡Unlisted. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. (b) Long 1st coupon. ¶ Short 1st coupon.

Poland prepares to launch sale of telecoms

By Christopher Bobinski in Warsaw

The Polish government has completed plans for the privatisation of Telekomunikacja Polska SA (TP SA), the telecoms operator.

Mr Andrzej Zielinski, telecommunications minister, told parliament yesterday that details of the sell-off were ready, and the plan could be approved by the government early next year.

The plan, prepared with investment banks Schroders and CS First Boston, is believed to support the sale of a 15-20 per cent stake in TP SA, mainly through Global Depositary Receipts on foreign exchanges, beginning in 1998.

An adviser for the privatisation of TP SA, which predicts sales of 6.3bn zlotys ($2.2bn) this year, is expected to be appointed next year.

Meanwhile, Ameritech, the Chicago-based telecoms operator, has sold its 24.5 per cent stake in Centertel, Poland's first NMT analogue technology mobile telephone company, to TP SA and France Télécom, the other partners, for about $50m. The sale follows disputes over investment and management policy.

Ameritech and France Télécom have also promised to withdraw a breach of contract case from international arbitration. This arose from the Polish government's failure earlier this year to grant Centertel a more modern GSM mobile telephone licence, promised when the venture was established in 1992.

Mr Zielinski said he expected Poland to have 1.5m-2m mobile telephone users by 2000.

Banamex meets capitalisation target of $1.1bn

By Leslie Crawford in Mexico City

Banamex, Mexico's largest bank, yesterday completed a $1.1bn capitalisation which will strengthen its capacity to withstand considerable write-offs on its mortgage portfolio when stricter accounting practices come into effect next year.

Banamex undertook to raise 8.54bn pesos ($1.1bn) of fresh capital at the height of Mexico's financial crisis last year, as a condition for being allowed to sell 15bn pesos of bad loans – 12 per cent of its total loan portfolio – to the government. Few believed Banamex would be able to meet its target without a significant dilution of shareholder control.

However, a combination of alliances with foreign insurance and telecoms groups, the merger of affiliated financial companies with the bank, extra contributions from existing shareholders, and the issue of $350m of subordinated exchangeable capital debentures in July, allowed Banamex to raise almost all the new capital without affecting its ownership structure.

The final $57.5m was covered by a payment from First Data Corp (FDC) to Banacci, the financial group which owns Banamex, in connection with the public offering of FDC's MoneyGram Payment Systems.

Banamex handles the Mexican side of MoneyGram's electronic money transfer business, which has grown rapidly since its launch in 1990. Mexicans working in the US send home between $5bn and $7bn a year. MoneyGram captured $600m of this in 1996.

"Banamex was not a shareholder of FDC, but it greatly contributed to the development of the consumer money wire transfer business between the US and Mexico," Mr Manuel Medina-Mora, president and chief executive officer of Banacci, said yesterday.

He said completion of the capitalisation had raised shareholder equity from 12.8bn pesos at the end of the 1995 third quarter to 20bn pesos today. Including subordinated debt, total capital was 24bn pesos, or 16 per cent of risk-weighted assets. Mr Medina-Mora said Banamex would continue to set aside provisions against mortgage defaults, as new accounting rules will force banks to reclassify as past-due many home loans now considered current.

Ghana Telecom result

Volta Communications, a company controlled by Telekom Malaysia, yesterday won the bid for a 30 per cent strategic stake in Ghana Telecom, Joel Kibazo writes.

The group is paying $38m for the holding and will also assume management control of the government-owned utility.

A Second National Operator licence (SNO) designed to end Ghana Telecom's monopoly, and advertised at the same time as the strategic stake, was awarded to ACG Telesystems, a company controlled by Western Wireless of the US.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		6.750	11/06	95.1490	+0.270	7.45	7.34	7.31
Austria		5.875	07/06	96.4800	+0.110	5.94	5.92	5.99
Belgium		7.000	05/06	107.2000	+0.200	5.97	5.98	6.05
Canada *		7.000	12/06	102.8000	+0.800	6.61	6.51	6.24
Denmark		8.000	03/06	109.0200	+0.300	6.65	6.73	6.87
France	BTAN	5.500	10/01	103.3965	-0.040	4.70	4.78	4.86
	OAT	6.500	10/06	104.9600	+0.220	5.83	5.83	5.90
Germany	Bund	6.250	04/06	102.5700	+0.260	5.86	5.87	5.92
Ireland		8.000	08/06	109.2700	+0.010	6.60	6.52	6.62
Italy		9.500	02/06	113.1300	+0.310	7.48†	7.54	7.85
Japan	No 143	6.300	09/01	121.7607	-0.120	1.41	1.45	1.61
	No 182	3.000	09/05	104.1448	-0.230	2.43	2.47	2.59
Netherlands		8.500	06/06	118.9900	+0.150	5.82	5.85	5.85
Portugal		9.500	02/06	116.4000	+0.080	7.01	7.03	7.39
Spain		8.800	04/06	111.5700	+0.180	7.05	7.07	7.55
Sweden		8.000	08/07	106.5946	+0.540	6.83	6.84	7.32
UK Gilts		8.000	12/00	102-14	-10/32	7.28	7.12	7.25
		7.500	12/06	98-27	-1/32	7.67	7.56	7.72
		9.000	10/08	108-19	+1/32	7.75	7.63	7.81
US Treasury *		6.500	10/06	100-23	+9/32	6.40	6.32	6.33
		6.500	11/26	98-04	+15/32	6.64	6.52	6.66
ECU (French Govt)		7.000	04/06	105.6300	+0.260	6.18	6.19	6.27

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	-	Two year	5.85
Prime rate	8¼	Two month	-	Three year	5.97
Broker loan rate	7	Three month	4.98	Five year	6.16
Fed.funds	5⅝	Six month	5.25	10-year	6.40
Fed.funds at intervention	-	One year	5.50	30-year	6.64

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	128.42	128.46	+0.12	128.60	128.40	52,719	129,494
Jun	127.20	127.20	+0.12	127.24	127.20	270	9,212
Sep	125.20	125.20	+0.12	125.20	125.20	2	-

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Jan	Calls Feb	Calls Mar	Puts Jan	Puts Feb	Puts Mar
126	2.47	-	2.81	0.01	0.17	0.37
127	1.48	1.80	2.05	0.02	0.34	0.60
128	0.61	1.11	1.40	0.15	0.65	0.94
129	0.13	0.58	0.87	0.67	1.12	1.40
130	0.02	0.26	0.50	1.56	1.79	2.03

Est. vol. total, Calls 11,111 Puts 11,118. Previous day's open int., Calls 154,727 Puts 152,140.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	99.92	100.02	+0.19	100.20	99.87	76005	221104
Jun	99.20	99.13	+0.19	99.20	99.20	85	182

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Jan	Calls Feb	Calls Mar	Calls Jun	Puts Jan	Puts Feb	Puts Mar	Puts Jun
10000	0.16	0.71	0.97	1.06	0.14	0.69	0.95	1.93
10050	0.05	0.46	0.73	0.86	0.53	0.94	1.21	2.23
10100	0.02	0.29	0.53	0.70	1.00	1.27	1.51	2.57

Est. vol. total, Calls 10169 Puts 12795. Previous day's open int., Calls 202641 Puts 181896

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	128.60	128.50	+0.21	128.73	128.42	21623	90259
Jun	127.15	128.03	+0.21	128.15	128.15	230	1320

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
12850	1.80	2.54	1.80	3.01
12900	1.56	2.32	2.06	3.29
12950	1.35	2.11	2.35	3.58

Est. vol. total, Calls 1590 Puts 5662. Previous day's open int., Calls 109186 Puts 73003

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	111.20	111.00	+0.10	111.44	110.93	53,986	76,761
Jun	-	111.01	-	-	-	-	-

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* 250,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	109-06	109-14	-0-01	109-17	109-06	529	4113
Mar	108-27	108-22	-	108-30	108-08	46336	131642

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Jan	Calls Feb	Calls Mar	Calls Jun	Puts Jan	Puts Feb	Puts Mar	Puts Jun
108	0-50	1-31	1-53	2-15	0-06	0-51	1-09	2-15
109	0-11	0-60	1-18	1-50	0-31	1-16	1-38	2-50
110	0-01	0-35	0-55	1-25	1-21	1-55	2-11	3-25

Est. vol. total, Calls 665 Puts 1911. Previous day's open int., Calls 39679 Puts 27759

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	95.00	95.10	+0.10	95.16	95.00	411	6,290

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	112-23	113-04	+0-07	113-04	112-23	14,925	41,320
Mar	112-13	112-25	+0-08	112-25	112-10	403,401	417,001
Jun	111-30	112-02	-	112-07	111-30	434	15,062

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	125.46	-	-	125.55	125.40	876	n/a
Jun	124.03	-	-	124.12	124.03	146	n/a

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FTSE Actuaries Govt. Securities

Price Indices UK Gilts	Wed Dec 18	Day's change %	Tue Dec 17	Accrued interest	xd adj. ytd		Low coupon yield Dec 18	Dec 17	Yr. ago	Medium coupon yield Dec 18	Dec 17	Yr. ago	High coupon yield Dec 18	Dec 17	Yr. ago
1 Up to 5 years (21)	120.64	-0.09	120.76	2.40	9.44	5 yrs	7.36	7.32	6.93	7.41	7.38	6.94	7.47	7.42	7.01
2 5-15 years (19)	147.77	0.02	147.74	2.13	11.88	15 yrs	7.80	7.82	7.68	7.79	7.80	7.73	7.73	7.77	7.80
3 Over 15 years (7)	167.23	0.14	167.00	3.48	11.85	20 yrs	7.85	7.86	7.77	7.83	7.84	7.79	7.74	7.79	7.85
4 Irredeemables (6)	191.63	-0.12	191.86	1.85	13.47	Irred.†	7.88	7.87	7.86						
5 All stocks (53)	142.99	0.00	142.99	2.52	10.97										

Index-linked							Inflation 5% Dec 18	Dec 17	Yr. ago	Inflation 10% Dec 18	Dec 17	Yr. ago
6 Up to 5 years (2)	202.83	-0.07	202.77	1.27	5.28	Up to 5 yrs	3.24	3.21	2.51	2.82	2.49	1.26
7 Over 5 years (10)	193.62	-0.26	194.07	1.63	4.71	Over 5 yrs	3.61	3.59	3.52	3.40	3.37	3.31
8 All stocks (12)	193.43	-0.26	193.93	1.59	4.69							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

UK Indices

FT Fixed Interest Indices

	Dec 18	Dec 17	Dec 16	Dec 13	Dec 12	Yr ago	High*	Low*
Govt. Secs. (UK)	93.81	94.06	94.04	93.71	93.73	95.65	96.34	91.59
Fixed Interest	116.10	116.27	116.30	115.84	116.53	114.32	117.82	110.74

 * for 1996. Government Securities high since compilation: 127.4 (9/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

Gilt Edged Activity Indices

	Dec 17	Dec 16	Dec 13	Dec 12	Dec 11
Gilt Edged bargains	72.9	73.1	84.5	71.6	78.7
5-day average	76.2	78.2	82.1	83.9	89.2

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on December 18

U.S. DOLLAR STRAIGHTS; SWISS FRANC STRAIGHTS; YEN STRAIGHTS; OTHER STRAIGHTS; DEUTSCHE MARK STRAIGHTS; FLOATING RATE NOTES; CONVERTIBLE BONDS

[illegible]						

UK GILTS PRICES

[illegible]						

Other Fixed Interest

[illegible]						

CURRENCIES AND MONEY

Sterling returns to heights as economy surges

MARKETS REPORT

By Simon Kuper

Sterling rose yesterday to near the peak from which it nosedived early this month.

It was boosted by the rising dollar, the sharpest fall in UK unemployment on record, and strong retail sales data.

The pound closed at 94.4 per cent of its 1990 value on a trade weighted basis, compared with 94.5 per cent on December 2, the day before profit taking sent it plummeting. Despite that sharp fall, sterling has now appreciated almost 9 per cent since October 8.

It rose 1.4 pfennigs against the D-Mark yesterday, taking its gains for the week to 3.5 pfennigs, and closed in London at DM2.599. Against the dollar, sterling was unchanged at $1.673.

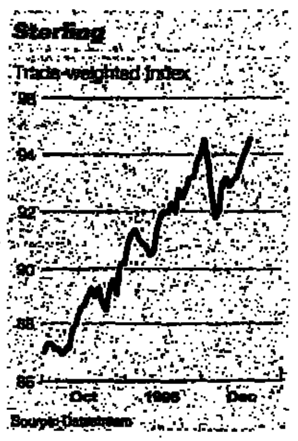
The UK economic data – particularly the unemployment total, which fell by 95,800 to below 2m – sent traders' expectations of rate rises soaring. Short sterling futures contracts for March 1997 fell 14 basis points, to price in base rates of more than 6.50 per cent, compared with rates of 6 per cent at present. December 1998 contracts fell just 4 basis points, as the money markets had already priced in a base rate hike at the January 15 monetary meeting between Mr Kenneth Clarke, the chancellor, and Mr Eddie George, governor of the Bank of England.

The D-Mark surrendered Tuesday's gains against the dollar as German November M3 money supply data came in slightly weaker than expected, and the Bundesbank added liquidity to the market. However, few currency strategists expect the Bundesbank council to cut the German repo rate when it meets today.

Against the D-Mark, the dollar rebounded 0.8 pfennigs to close at DM1.553.

The dollar barely softened against the yen even though Japan's bilateral trade surplus with the US rose by 31 per cent, suggesting that the dollar's recent strength is hitting US exports. Mr Yasuo Matsushita, governor of the Bank of Japan, boosted yen sentiment when he followed other Japanese officials in saying the country's economic recovery was "starting to increase". The dollar closed just Y0.1 off against the yen at Y113.6.

The Bank of Portugal cut its repo rate by 20 basis points to 6.70 per cent. It also cut its rate for draining funds and its emergency lending rate by 20 basis points each, to 6.20 per cent and 8.30 per cent respectively. But the escudo softened only a touch against the D-Mark.



Source: Datastream

■ Sterling yesterday briefly crossed the key psychological barrier of DM2.60 before falling back again. DM2.60 was the point from which it fell at the start of this month. Now it has retraced those losses. Can it go higher this time?

Most currency strategists believe so. The pound fell last time chiefly because many traders wanted to take their profits on its autumn rise before the end of the year, and because many investors were holding far more of their assets in sterling than their own guidelines said they should. Also, few were convinced that Mr Clarke would raise rates after the December 11 monetary meeting. Nor, in the event, did he do so.

This time the picture is brighter for sterling. Almost all strategists expect a rate hike next month. Most of the traders and investors who wanted to sell pounds have done so. The UK economy has continued to look strong while most of its rivals have continued to falter. Yet inflation, although above Mr Clarke's target, hardly seems about to run out of control. Yesterday's wage data were tame.

■ The Swiss franc, which has been sinking for most of the year, hit its lowest point against the D-Mark yesterday since May 1994. It closed in London at SFr0.857, down from SFr0.854, and fell to near its worst level against the dollar since January 1995, closing at SFr1.331.

Earlier this week Goldman Sachs had said that selling the Swiss currency was "our favourite trade still". Other than the New Zealand dollar, which was also overpriced, the Swiss franc was "still the most misaligned currency", the bank said.

Goldman has noted "the alarming economic weakness of the Swiss economy, and the 'obviousness' that the franc needs to decline further to help restore some growth".

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■ Pound in New York

Dec 18	—Latest—	—Prev. close—
£ spot	1.6730	1.6705
1 mth	1.6722	1.6696
3 mth	1.6695	1.6665
1 yr	1.6560	1.6548

■ OTHER CURRENCIES

Dec 18	£	$
Czech Rp	45.7075 - 45.7683	27.3370 - 27.3570
Hungary	268.456 - 268.734	160.580 - 160.630
Iran	5016.00 - 5016.40	3000.00 - 3003.00
Kuwait	0.5001 - 0.5016	0.2997 - 0.2999
Poland	4.7718 - 4.7764	2.8540 - 2.8550
Russia	9262.27 - 9275.11	5542.00 - 5544.00
U.A.E.	6.1399 - 6.1448	3.6722 - 3.6729

POUND SPOT FORWARD AGAINST THE POUND

Dec 18		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	18.2959	+0.1029	852 - 066	18.3106	18.1782	18.2524	2.9	18.1959	2.2	-	-	104.3
Belgium	(BFr)	53.5786	+0.2842	374 - 197	53.6197	53.2740	53.4536	2.8	53.1686	2.8	51.8936	3.0	104.9
Denmark	(DKr)	9.9435	+0.0491	384 - 485	9.9512	9.8916	9.9236	2.4	9.883	2.4	9.7041	2.4	108.7
Finland	(FM)	7.7569	+0.0334	504 - 634	7.7690	7.7120	-	-	-	-	-	-	84.6
France	(FFr)	8.7861	+0.0806	830 - 891	8.7916	8.7273	8.7652	2.8	8.7257	2.8	8.5189	3.0	107.8
Germany	(DM)	2.5986	+0.0145	983 - 012	2.6027	2.5850	2.5933	3.0	2.58	3.0	2.5152	3.3	106.8
Greece	(Dr)	411.857	+2.863	583 - 110	412.110	408.885	-	-	-	-	-	-	68.4
Ireland	(I£)	1.0054	+0.001	045 - 063	1.0083	1.0036	1.0051	0.4	1.0041	0.5	0.9978	0.8	102.7
Italy	(L)	2567.50	+9.42	569 - 936	2582.89	2548.04	2561.3	-1.8	2585.5	-1.8	2573.3	-0.8	78.0
Luxembourg	(LFr)	53.5786	+0.2842	374 - 197	53.6197	53.2740	53.4536	2.8	53.1686	2.8	51.8936	3.0	104.9
Netherlands	(Fl)	2.9189	+0.0139	155 - 182	2.9205	2.8970	2.9091	3.2	2.8898	3.2	2.8201	3.3	104.9
Norway	(NKr)	10.8294	+0.043	245 - 343	10.8893	10.7746	10.8169	1.4	10.7989	1.2	10.6919	1.3	99.7
Portugal	(Es)	262.295	+1.275	195 - 495	262.480	260.880	262.465	-0.8	262.865	-0.9	-	-	95.2
Spain	(Pta)	218.889	+1.203	714 - 063	219.174	217.663	218.959	-0.4	218.849	0.1	218.74	0.1	79.3
Sweden	(SKr)	11.4563	+0.0463	462 - 664	11.4707	11.3686	11.4393	2.0	11.3948	2.2	11.1855	2.4	87.8
Switzerland	(SFr)	2.2273	+0.0186	258 - 288	2.2288	2.2099	2.2198	4.3	2.2041	4.2	2.1326	4.3	105.0
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	94.4
Ecu	-	1.3507	+0.0083	500 - 514	1.3514	1.3416	1.3498	1.7	1.3443	1.9	1.3229	2.1	-
SDR†	-	1.158594	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6725	-0.0003	713 - 732	1.6748	1.6696	-	-	-	-	-	-	-
Brazil	(R$)	1.7357	-0.0006	349 - 364	1.7395	1.7344	-	-	-	-	-	-	-
Canada	(C$)	2.2898	-0.002	848 - 870	2.2873	2.2769	2.2807	2.7	2.2699	2.8	2.2109	3.3	84.5
Mexico	(New Peso)	13.1200	-0.0592	102 - 297	13.1579	13.1102	-	-	-	-	-	-	-
USA	($)	1.6725	-0.0004	720 - 730	1.6751	1.6688	1.6718	0.5	1.6694	0.8	1.6564	1.0	88.2
Pacific/Middle East/Africa													
Australia	(A$)	2.1113	+0.0085	100 - 126	2.1153	2.0885	2.1126	-0.7	2.1133	-0.4	2.1129	-0.1	94.3
Hong Kong	(HK$)	12.9411	-0.0026	364 - 458	12.9597	12.9157	12.9338	0.7	12.92	0.7	12.8593	0.7	-
India	(Rs)	60.0010	+0.1111	576 - 444	60.1444	59.8300	-	-	-	-	-	-	-
Israel	(Shk)	5.4812	-0.0034	745 - 879	5.4917	5.4715	-	-	-	-	-	-	-
Japan	(Y)	190.105	-0.213	989 - 220	190.440	189.190	189.175	5.9	187.32	5.9	178.905	5.9	128.5
Malaysia	(M$)	4.2214	-0.0016	193 - 235	4.2272	4.2131	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3692	+0.0075	673 - 710	2.3715	2.3547	2.376	-3.4	2.3854	-2.7	2.4082	-1.6	112.0
Philippines	(Peso)	43.9701	-0.0105	057 - 344	44.0534	43.9057	-	-	-	-	-	-	-
Saudi Arabia	(SR)	6.2728	-0.0015	707 - 748	6.2823	6.2663	-	-	-	-	-	-	-
Singapore	(S$)	2.3384	-0.0032	378 - 409	2.3448	2.3374	-	-	-	-	-	-	-
South Africa	(R)	7.8189	-0.0764	082 - 296	7.9163	7.8082	-	-	-	-	-	-	-
South Korea	(Won)	1410.92	-0.25	050 - 134	1413.62	1408.14	-	-	-	-	-	-	-
Taiwan	(T$)	45.9971	-0.0077	817 - 125	46.0642	45.8974	-	-	-	-	-	-	-
Thailand	(Bt)	42.7909	-0.0186	814 - 204	42.8610	42.7120	-	-	-	-	-	-	-

† Rates for Dec 17. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Dec 18		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan index
Europe													
Austria	(Sch)	10.9393	+0.0642	361 - 424	10.9424	10.8870	10.9245	1.6	10.8793	2.2	10.6543	2.3	104.3
Belgium	(BFr)	32.0350	+0.1775	200 - 500	32.0500	31.8750	31.975	2.2	31.8475	2.3	31.2075	2.3	104.9
Denmark	(DKr)	5.9453	+0.0308	440 - 465	5.9466	5.9167	5.9364	1.8	5.918	1.8	5.8363	1.8	108.4
Finland	(FM)	4.6379	+0.021	354 - 404	4.6404	4.6118	4.6291	2.3	4.6104	2.4	4.5279	2.4	84.1
France	(FFr)	5.2533	+0.0375	530 - 535	5.2555	5.2240	5.245	1.9	5.227	2.0	5.1513	1.9	107.6
Germany	(DM)	1.5544	+0.009	540 - 548	1.5550	1.5440	1.5515	2.2	1.5455	2.3	1.5208	2.2	106.6
Greece	(Dr)	246.240	+1.77	150 - 330	246.330	244.710	247.795	-7.6	250.965	-6.7	261.39	-6.2	68.3
Ireland	(I£)	1.6635	-0.002	625 - 645	1.6675	1.6605	1.663	0.3	1.6627	0.2	1.6589	0.2	-
Italy	(L)	1529.15	+6	850 - 980	1530.71	1521.81	1532.32	-2.5	1538.75	-2.5	1551.5	-1.5	77.6
Luxembourg	(LFr)	32.0350	+0.1775	200 - 500	32.0500	31.8750	31.975	2.2	31.8475	2.3	31.2075	2.3	104.9
Netherlands	(Fl)	1.7440	+0.009	437 - 443	1.7450	1.7324	1.7402	2.6	1.7322	2.7	1.6966	2.7	104.8
Norway	(NKr)	6.4750	+0.0273	740 - 760	6.4890	6.4425	6.4712	0.7	6.4656	0.6	6.44	0.5	99.2
Portugal	(Es)	156.830	+0.8	780 - 880	156.880	155.250	157.035	-1.6	157.35	-1.3	155.105	-0.8	95.3
Spain	(Pta)	130.875	+0.75	810 - 940	130.900	130.310	130.975	-0.9	131.145	-0.8	131.24	-0.3	79.2
Sweden	(SKr)	6.8500	+0.0293	470 - 530	6.8550	6.8115	6.8482	0.5	6.8384	0.7	6.791	0.9	87.4
Switzerland	(SFr)	1.3317	+0.0114	312 - 322	1.3335	1.3212	1.3279	3.4	1.3201	3.5	1.2872	3.3	105.1
UK	(£)	1.6725	-0.0004	720 - 730	1.6751	1.6693	1.6718	0.5	1.6694	0.8	1.6564	1.0	88.8
Ecu		1.2383	-0.008	380 - 385	1.2458	1.2380	1.2396	-1.3	1.2426	-1.4	1.2593	-1.7	-
SDR†	-	0.694530	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	+0.0001	996 - 001	1.0001	0.9995	-	-	-	-	-	-	-
Brazil	(R$)	1.0378	-0.0003	376 - 379	1.0385	1.0376	-	-	-	-	-	-	-
Canada	(C$)	1.3668	-0.0009	665 - 670	1.3672	1.3633	1.3644	2.1	1.3594	2.2	1.3319	2.6	83.9
Mexico	(New Peso)	7.8445	-0.0035	410 - 480	7.8520	7.8410	7.9625	-18.1	8.229	-19.8	9.0895	-15.9	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	99.8
Pacific/Middle East/Africa													
Australia	(A$)	1.2624	+0.0054	620 - 628	1.2629	1.2620	1.2630	-1.4	1.2658	-1.1	1.2713	-0.7	96.4
Hong Kong	(HK$)	7.7376	+0.0003	371 - 381	7.7381	7.7360	7.7375	0.0	7.738	0.0	7.7491	-0.1	-
India	(Rs)	35.8750	+0.075	000 - 500	35.9500	35.8000	36.09	-7.2	36.55	-7.5	-	-	-
Israel	(Shk)	3.2773	-0.0012	742 - 803	3.2803	3.2724	-	-	-	-	-	-	-
Japan	(Y)	113.665	-0.1	600 - 700	113.880	113.320	113.19	5.0	112.185	5.2	107.995	5.0	129.1
Malaysia	(M$)	2.5240	-0.0003	235 - 245	2.5264	2.5235	2.5269	-1.4	2.5322	-1.3	2.5535	-1.2	-
New Zealand	(NZ$)	1.4166	+0.0048	158 - 172	1.4172	1.4157	1.422	-4.7	1.4263	-2.8	1.4576	-2.9	-
Philippines	(Peso)	26.2900	-	600 - 200	26.3200	26.2600	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-	504 - 506	3.7506	3.7504	3.7508	-0.1	3.7512	-0.1	3.7531	-0.1	-
Singapore	(S$)	1.3987	-0.0016	982 - 992	1.4008	1.3982	1.3965	1.9	1.3917	2.0	1.3707	2.0	-
South Africa	(R)	4.6750	-0.0445	700 - 800	4.7200	4.6700	4.7157	-10.4	4.7907	-9.9	5.1055	-9.2	-
South Korea	(Won)	843.600	+0.05	600 - 600	844.300	842.600	-	-	-	-	-	-	-
Taiwan	(T$)	27.5020	+0.002	010 - 030	27.5060	27.4940	27.5021	0.0	27.5033	0.0	-	-	-
Thailand	(Bt)	25.5850	-0.005	750 - 950	25.8000	25.5680	25.875	-4.2	25.8425	-4.0	26.48	-3.5	-

† SDR rate per $ for Dec 17. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Dec 17: Base average 1990=100.

WORLD INTEREST RATES

MONEY RATES

December 18	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3⅛	3⅛	3¼	3¼	3⅜	6.00	2.50	-
France	3⅜	3⅜	3½	3⅜	3⅝	3.15	-	4.75
Germany	3	3¼	3¼	3⅜	3⅜	4.50	2.50	3.00
Ireland	5⅝	5¾	5⅞	6	6⅛	-	-	6.25
Italy	7½	7⅛	7	6⅞	6¾	9.00	7.50	7.38
Netherlands	2⅞	2⅞	3⅛	3⅛	3¼	-	3.00	3.30
Switzerland	1	2⅛	2⅛	2⅛	2⅛	-	1.00	-
US	5½	5⅝	5½	5⅝	5⅝	-	5.00	-
Japan	½	½	½	½	½	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5⅝	5⅝	5⅝	5⅝	-	-	-
US Dollar CDs	-	4.95	5.07	5.16	5.35	-	-	-
ECU Linked Ds	-	4⅛	4⅛	4⅛	4⅛	-	-	-
SDR Linked Ds	-	3⅛	3⅛	3⅛	3⅜	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Dec 18	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3⅛ - 2⅞	3⅛ - 2⅞	3⅛ - 2⅞	3⅛ - 3	3⅜ - 3⅛	3¼ - 3⅛
Danish Krone	3⅝ - 3¼	3⅝ - 3⅜	3⅝ - 3⅜	3⅝ - 3½	3¾ - 3⅝	3⅞ - 3¾
D-Mark	3⅛ - 2⅞	3⅛ - 3⅛	3⅛ - 3⅛	3⅛ - 3⅛	3⅜ - 3⅛	3¼ - 3
Dutch Guilder	2⅞ - 2⅝	3 - 2⅞	3⅛ - 2⅞	3⅛ - 3	3⅛ - 3	3⅜ - 3⅛
French Franc	3⅝ - 3⅜	3⅝ - 3¼	3½ - 3⅜	3⅝ - 3¼	3⅝ - 3⅜	3½ - 3⅜
Portuguese Esc.	6¾ - 6⅝	6¾ - 6⅝	6⅝ - 6⅝	6⅞ - 6⅝	6⅛ - 5⅞	6 - 5⅞
Spanish Peseta	6¼ - 6⅛	6⅝ - 6⅛	6⅝ - 6⅜	6⅝ - 6⅜	6⅜ - 6⅛	5⅞ - 5⅞
Sterling	5⅞ - 5⅝	5⅞ - 5⅞	6⅛ - 6⅛	6⅝ - 6⅜	6⅞ - 6½	6⅞ - 6⅞
Swiss Franc	1½ - 1⅛	1⅞ - 1⅛	2⅛ - 2	2⅛ - 1⅞	2⅛ - 1⅞	2⅛ - 2
Can. Dollar	3⅛ - 2⅞	3⅛ - 2⅞	3⅛ - 3	3⅜ - 3⅛	3⅝ - 3⅜	4 - 3⅞
US Dollar	5⅝ - 5½	5⅝ - 5¼	5⅝ - 5⅝	5⅝ - 5⅝	5⅝ - 5⅝	5⅞ - 5⅝
Italian Lira	8¼ - 7⅛	7⅞ - 7⅛	7⅛ - 7⅛	7⅛ - 7	6⅞ - 6⅝	6⅞ - 6⅞
Yen	⅛ - ⅛	⅛ - ⅛	¼ - ⅛	⅛ - ⅛	⅜ - ⅛	½ - ⅜
Asian $Sing	2⅞ - 2⅞	2⅞ - 2⅞	3¼ - 3⅛	3⅜ - 3⅛	3⅜ - 3⅛	3⅞ - 3⅝

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.70	96.70	+0.01	96.72	96.69	12,751	68,899
Jun	96.67	96.67	+0.01	96.68	96.66	4,028	36,782
Sep	96.61	96.61	+0.01	96.62	96.59	3,039	27,511

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	96.89	96.88	-0.01	96.91	96.87	22159	210845
Jun	96.84	96.82	-0.02	96.86	96.82	14705	165996
Sep	96.71	96.69	-0.01	96.73	96.68	13199	136588
Dec	96.51	96.47	-0.02	96.53	96.46	12500	124253

■ ONE MONTH EUROMARK FUTURES (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jan	96.91	96.90	-0.02	96.91	96.90	1047	9560
Feb	96.92	96.91	-0.01	96.92	96.91	559	8893
Mar	96.92	96.91	-0.01	96.92	96.91	378	2239
Apr	-	96.89	-0.01	-	-	0	667

■ THREE MONTH EUROLIRA FUTURES (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.63	93.63	+0.01	93.66	93.62	8308	92630
Jun	94.02	94.00	+0.01	94.04	93.98	3345	52905
Sep	94.14	94.12	+0.01	94.15	94.11	3213	29313
Dec	94.15	94.12	+0.01	94.15	94.10	1732	15936

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	98.12	98.14	+0.02	98.16	98.12	4472	43954
Jun	98.06	98.08	+0.04	98.08	98.05	2536	18187
Sep	97.92	97.94	+0.05	97.95	97.91	768	6922
Dec	97.72	97.73	+0.05	97.73	97.70	137	3471

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	99.48	99.48	-0.01	99.48	99.46	49	n/a
Jun	99.37	99.37	-0.01	99.37	99.37	100	n/a
Sep	-	99.25	-0.01	-	-	0	n/a

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.96	95.95	+0.01	95.96	95.94	676	9251
Jun	95.96	95.97	+0.01	95.97	95.96	251	4507
Sep	95.93	95.92	-0.01	95.93	95.92	415	3114
Dec	95.80	95.79	+0.01	95.80	95.79	213	3081

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9350	0.30	0.69	0.85	0.17	0.19	0.2

Est. vol. total, Calls 50 Puts . Previous day's open int., Calls Puts

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Dec 18		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.56	16.40	4.851	1.876	4772	5.444	20.21	489.5	408.4	21.39	4.156	1.866	4.267	3.122	354.8	2.521
Denmark	(DKr)	53.89	10	8.836	2.614	1.011	2572	2.934	10.89	263.8	220.1	11.53	2.240	1.006	2.299	1.683	191.2	1.359
France	(FFr)	60.98	11.32	10	2.958	1.144	2910	3.320	12.33	298.5	249.0	13.04	2.535	1.138	2.602	1.904	216.4	1.538
Germany	(DM)	20.62	3.826	3.381	1	0.387	983.8	1.122	4.167	100.9	84.19	4.409	0.857	0.385	0.880	0.644	73.14	0.520
Ireland	(I£)	53.31	9.894	8.742	2.586	1	2544	2.902	10.78	261.0	217.7	11.40	2.216	0.995	2.275	1.665	189.2	1.344
Italy	(L)	2.095	0.389	0.344	0.102	0.039	100.	0.114	0.424	10.26	8.557	0.448	0.087	0.039	0.089	0.065	7.434	0.053
Netherlands	(Fl)	18.37	3.409	3.012	0.891	0.345	876.6	1	3.713	89.92	75.01	3.929	0.763	0.343	0.784	0.574	65.17	0.463
Norway	(NKr)	49.47	9.181	8.113	2.400	0.928	2361	2.693	10	242.2	202.0	10.58	2.056	0.923	2.111	1.545	175.5	1.247
Portugal	(Es)	20.43	3.791	3.350	0.991	0.383	974.8	1.112	4.129	100.	83.42	4.369	0.849	0.381	0.872	0.638	72.47	0.515
Spain	(Pta)	24.49	4.544	4.016	1.188	0.459	1169	1.333	4.950	119.9	100.	5.238	1.018	0.457	1.045	0.765	86.88	0.617
Sweden	(SKr)	46.75	8.676	7.667	2.268	0.877	2231	2.545	9.450	228.9	190.9	10	1.943	0.873	1.995	1.460	165.9	1.179
Switzerland	(SFr)	24.06	4.465	3.945	1.167	0.451	1148	1.310	4.863	117.8	98.25	5.146	1	0.449	1.026	0.751	85.36	0.607
UK	(£)	53.58	9.943	8.786	2.599	1.005	2557	2.917	10.83	262.3	218.8	11.46	2.227	1	2.286	1.673	190.1	1.351
Canada	(C$)	23.44	4.350	3.843	1.137	0.440	1119	1.276	4.738	114.7	95.71	5.013	0.974	0.437	1	0.732	83.16	0.591
US	($)	32.03	5.943	5.252	1.553	0.601	1528	1.744	6.473	156.8	130.8	6.850	1.331	0.598	1.366	1	113.6	0.808
Japan	(Y)	28.19	5.230	4.622	1.367	0.529	1345	1.534	5.697	138.0	115.1	6.028	1.171	0.526	1.203	0.880	100.	0.711
Ecu		39.66	7.360	6.503	1.924	0.744	1893	2.159	8.016	194.2	162.0	8.483	1.648	0.740	1.692	1.238	140.7	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.6493	0.6466	-0.0023	0.6476	0.6466	10,692	47,079
Jun	0.6516	0.6506	-0.0022	0.6516	0.6506	35	4,347
Sep	-	0.6577	-	-	0.6567	62	1,693

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.8898	0.8914	+0.0020	0.8925	0.8911	12,469	52,967
Jun	-	0.9030	+0.0020	0.9017	0.9006	32	1,221
Sep	-	0.9113	-	-	-	2	36

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.7610	0.7564	-0.0046	0.7595	0.7564	7,809	41,716
Jun	0.7654	0.7654	-0.0024	0.7654	0.7654	11	1,377
Sep	0.7700	0.7700	-0.0047	0.7700	0.7700	1	1,789

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.6680	1.6704	+0.0032	1.6704	1.6678	5,622	23,152
Jun	1.6670	1.6670	+0.0036	1.6670	1.6670	145	2,142
Sep	-	1.6600	-	-	-	15	1,027

UK INTEREST RATES

LONDON MONEY RATES

Dec 18	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	5⅞ - 5	5⅞ - 5⅞	6⅛ - 5⅞	6⅛ - 6¼	6⅞ - 6⅞	6⅞ - 6⅞
Sterling CDs	-	-	6⅛ - 6	6⅛ - 6⅛	6⅞ - 6⅞	6⅞ - 6¾
Treasury Bills	-	-	5⅞ - 5⅞	6⅛ - 6	-	-
Bank Bills	-	-	5⅞ - 5⅞	6⅛ - 6⅛	6⅞ - 6⅜	-
Local authority deps.	5⅞ - 5¾	5⅞ - 5¾	6⅛ - 6	6⅜ - 6¼	6⅞ - 6⅞	6⅞ - 6¾
Discount Market deps	6½ - 5⅞	6 - 5⅞	-	-	-	-

UK clearing bank base lending rate 6 per cent from October 30, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc.
Ave. tender rate of discount on Dec 13, 6.0044pc. ECGD fixed rate Stlg. Export Finance. Make up day Nov 29, 1996. Agreed rate for period Dec 25, 1996 to Jan 25, 1997, Scheme III 7.61pc. Reference rate for period Nov 1, 1996 to Nov 29, 1996, Schemes IV & V 6.373pc. Finance House Base Rate 6½pc from Dec 1, 1996

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.61	93.58	-0.04	93.61	93.56	8914	85373
Mar	93.43	93.28	-0.14	93.44	93.28	39657	92304
Jun	93.16	93.02	-0.15	93.19	93.01	25610	83247
Sep	92.99	92.81	-0.16	92.99	92.79	14022	56353
Dec	92.80	92.63	-0.15	92.81	92.61	8005	43110

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9350	0.06	0.07	0.06	0	0.29	0.54
9375	0	0.02	0.03	0.19	0.49	0.76
9400	0	0	0.01	0.44	0.72	0.99

Est. vol. total, Calls 5357 Puts 2235. Previous day's open int., Calls 249756 Puts 168771

EMS EUROPEAN CURRENCY UNIT RATES

Dec 18	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.792214	0.751053	-0.002890	-5.97	7.98	40
Finland	5.85424	5.78083	-0.00837	-1.10	2.65	7
Portugal	197.398	195.843	+0.272	-0.74	2.30	5
Spain	163.826	163.453	+0.156	-0.23	1.77	2
Italy	1906.48	1912.18	-0.14	0.30	1.24	-2
Netherlands	2.16979	2.17904	+0.00204	0.43	1.11	-3
Belgium	39.7191	40.0159	+0.0275	0.75	0.79	-5
Germany	1.92573	1.94155	+0.00137	0.82	0.71	-6
Austria	13.5485	13.6560	+0.0108	0.80	0.68	-6
Denmark	7.34555	7.42603	+0.00257	1.10	0.44	-8
France	6.45863	6.55824	+0.00781	1.54	0.00	-13
NON ERM MEMBERS						
Greece	295.269	307.366	+0.801	4.17	-2.53	-
UK	0.793103	0.747605	-0.004121	-5.74	7.72	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. 17/9/92 Sterling suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Jan	PUTS Feb	PUTS Mar
1.660	2.01	2.72	3.15	1.06	1.93	2.47
1.670	1.46	2.25	2.69	1.51	2.42	2.97
1.680	0.97	1.81	2.25	2.09	2.98	3.49

Previous day's vol., Calls 594 Puts 1,022. Prev. day's open int., Calls 30,371 Puts 18,087

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 (cents per DM)

Strike Price	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Jan	PUTS Feb	PUTS Mar
0.640	0.95	1.33	1.57	0.28	0.52	0.66
0.645	0.65	1.05	1.28	0.47	0.73	0.87
0.650	0.41	0.78	1.01	0.74	0.98	1.12

Previous day's vol., Calls 330 Puts 121. Prev. day's open int., Calls 27,833 Puts 53,612

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	94.42	94.43	+0.01	94.44	94.42	123,958	412,297
Jun	94.27	94.28	+0.03	94.30	94.27	102,147	317,834
Sep	94.15	94.16	+0.03	94.17	94.14	84,088	216,448

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	94.96	94.97	-	94.96	94.96	316	4,597
Jun	94.84	94.82	-	94.84	94.82	99	2,353
Sep	-	94.74	-	-	-	4	26

All Open Interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Jan	CALLS Feb	CALLS Mar	CALLS Jun	PUTS Jan	PUTS Feb	PUTS Mar	PUTS Jun
9675	0.15	0.18	0.18	0.22	0.02	0.03	0.05	0.25
9700	0.01	0.03	0.05	0.10	0.13	0.15	0.17	0.29
9725	0	0.01	0.01	0.04	0.37	0.37	0.37	0.64

Est. vol. total, Calls 24027 Puts 5872. Previous day's open int., Calls 377016 Puts 217080

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9825	0.15	0.24	0.30	0.26	0.41	0.58
9850	0.07	0.12	0.19	0.43	0.61	0.75

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 500 Puts 2870

BASE LENDING RATES

	%		%		%
Adam & Company	6.00	Cyprus Popular Bank	6.00	NatWestminster	6.00
Allied Irish Bank (GB)	6.00	Duncan Lawrie	6.00	●Rea Brothers	6.00
Allied Trust Bank	6.00	Exeter Bank Limited	7.00	Royal Bk of Scotland	6.00
●Henry Ansbacher	6.00	Financial & Gen Bank	7.00	●Singer & Friedlander	6.00
Bank of Baroda	6.00	●Robert Fleming & Co	6.00	●Smith & Williamson Secs	6.00
Banco Bilbao Vizcaya	6.00	Girobank	6.00	Scottish Widows Bank	6.00
Bank of Cyprus	6.00	●Guinness Mahon	6.00	TSB	6.00
Bank of Ireland	6.00	Habib Bank AG Zurich	6.00	United Bank of Kuwait	6.00
Bank of India	6.00	●Hambros Bank	6.00	Unity Trust Bank Plc	6.00
Bank of Scotland	6.00	Heritable & Gen Inv Bk	6.00	Western Trust	6.00
Barclays Bank	6.00	●Hill Samuel	6.00	Whiteaway Laidlaw	6.00
Brit Bk of Mid East	6.00	C. Hoare & Co	6.00	Yorkshire Bank	6.00
●Brown Shipley & Co Ltd	6.00	Hongkong & Shanghai	6.00		
Citibank NA	6.00	Julian Hodge Bank	6.00		
Clydesdale Bank	6.00	●Leopold Joseph & Sons	6.00		
The Co-operative Bank	6.00	Lloyds Bank	6.00		
Coutts & Co	6.00	Midland Bank	6.00		
		*Mount Credit Corp	6.25		

● Members of London Investment Banking Association
* In administration

COMMODITIES AND AGRICULTURE

Fertiliser use threatened by cereals price weakness

By Deborah Hargreaves

Buoyancy in the world fertiliser market is looking vulnerable for next year as falling grain prices push farmers to trim their planting of cereals, according to a recent report by the World Bank.*

Grain prices have dropped 30 per cent in the past five months, since their highs in May. This year's firm wheat prices led to a 2.8 per cent increase in the total amount of land used for grain production, reaching the highest level since 1986.

World grain production is expected to rise 7.5 per cent this year, but with prices sliding so quickly, farmers could be discouraged from raising their output in 1997-98.

The European Commission has reduced the amount of land it requires farmers to leave idle, from 10 per cent to 5 per cent for next year, in response to the tight cereals market earlier in the year.

Meanwhile, the European Fertiliser Manufacturers' Association says world fertiliser use was up 5 per cent in 1995-96 to 128m tonnes, although still below the peak of 145m tonnes in 1988-89.

Mr Ole Eilertsen, director-general of the association, says the use of fertilisers in western Europe will be stable next year, with the drop in set-aside land possibly leading to a 1-2 per cent increase in demand.

Demand from western Europe accounts for 14 per cent – 17.7m tonnes – of world fertiliser consumption and has been stable in recent years.

Environmental concerns, however, could affect demand. "The environmental movement has had an effect on the intensity of use and the precision of use. There is every reason for European farmers to use fertilisers sparingly," he said.

World fertiliser prices are also vulnerable to increasing supply from new plants around the world. China is soon to begin operating two new urea plants with production capacity of 1m tonnes a year. This will reduce China's demand for fertiliser on the world market, where it has been an important force.

Materials used to create fertilisers have been affected by the supply and demand situation. Urea prices have slipped since reaching a high point last December of $233 a tonne, to below $200 a tonne.

The World Bank says prices for potassium chloride have stalled at $117 a tonne for most of the year, although some producers have been trying to raise prices. But with over-capacity in Canada and countries from the former Soviet Union, the chances of an improvement in the market look slim.

Phosphate-based fertilisers are, however, stronger at some $180 a tonne for triple-super-phosphate. The Indian government has raised subsidies for phosphate-based fertilisers and demand from Brazil remains strong.

Mr Eilertsen said ammonia prices had been pushed up recently by some restrictions in supply from Russia, the largest producer. Prices for delivery through the Black Sea and Baltic have risen from $180 a tonne to $210 a tonne in recent months.

Ammonia is used in the production of nitrogen-based fertilisers, which are the most commonly used in western Europe.

**Commodity Markets and the Developing Countries, the World Bank, Box 7247-7956, Philadelphia, PA 19170-7956, $150*

Weather fears push up wheat futures

MARKETS REPORT

By Laurie Morse in Chicago and Deborah Hargreaves in London

Wheat futures prices at the Chicago Board of Trade rose yesterday as traders began to be concerned that cold weather and winter storms in the western plains wheat growing areas might damage over-wintering wheat. Commercial buying in anticipation of slow year-end grain movement also supported prices.

Wheat futures for March delivery in Chicago traded above US$4 per bushel yesterday for the first time since October. The March contract traded as high as US$4.095 by midday. However, traders said that large wheat harvests anticipated in Australia and in other southern-hemisphere growing regions were likely to limit the advance.

May soyabean prices were also up modestly at midday. Late in the session wheat futures for March delivery had risen 13¾ cents per bushel at US$4.08.

North Sea Brent crude oil futures on the International Petroleum Exchange retraced some of Tuesday's loss as traders focused on bullish stock figures from the US Energy Information Administration.

Distillate inventories – which include heating oil – showed a fall of 400,000 barrels. February futures were up 20 cents a barrel at one stage, but trading was thin and the market slipped a little in later trading.

Blizzards in the US Midwest continued with freezing weather forecast until Christmas, but natural gas futures – which rose this week on the New York Mercantile Exchange – fell yesterday on profit-taking.

End to Australia sugar tariff urged

By Nikki Tait in Sydney

Australia should drop its tariff on sugar imports from the start of the 1997 financial year, a government-appointed review recommended yesterday. The move would cost the raw sugar industry almost A$228m (US$181m) a year.

But the industry should be allowed to retain its "single desk" marketing arrangements, the Sugar Industry Review working party concluded in its final report.

The group said removal of the tariff would give domestic refiners and industrial customers access to sugar at world market prices. Although it would result in lost revenues for the raw sugar industry, "there will be corresponding benefits to other sectors of the economy", the report said.

More controversially, the working party recommended that the Queensland Sugar Corporation, which buys and markets all the state's raw sugar, and is funded by cane-growers out of these sales, should continue in this role. However, it suggests the QSC's regulatory activities be hived off to a separate, part-time commissioner.

The review's conclusions were generally welcomed by canegrowers, most of whom were resigned to the removal of the tariff but fearful that the single desk marketing arrangements could also go.

The review's conclusions are widely expected to be implemented by both the federal government, which has responsibility for tariff policy, and the Queensland state government, which covers other aspects of the industry.

The sugar industry review had been set up jointly by the two governments, and was partly spurred by Australia's "national competition" policy. This has called for a re-examination of marketing arrangements in all rural sectors, and specified that agricultural sector legislation should not be allowed to restrict competition unless the benefits are shown to outweigh the costs.

The A$2bn-a-year Queensland sugar industry – which accounts for 95 per cent of all sugar produced in Australia – has traditionally been seen as one of most heavily-protected, although significant liberalisation was introduced in the early 1990s.

Diamond sales at record despite upheaval

By Kenneth Gooding, Mining Correspondent

All the turbulence in the diamond market in 1996 did not prevent sales by the international producers' cartel organised by De Beers of South Africa reaching a record $4.83bn.

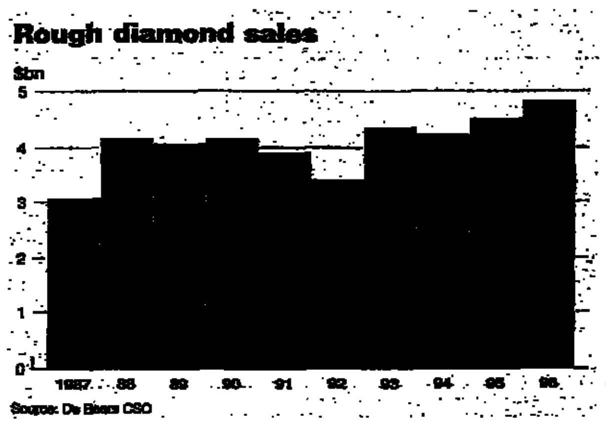
This was 7 per cent above the previous record, set last year. In spite of the disruption caused by the withdrawal from the cartel of the Argyle diamond mine of Australia in June, sales of rough or uncut stones in the second half were also a record, up 5 per cent at $2.09bn.

Analysts estimate that the loss of Argyle cost De Beers' London-based Central Selling Organisation about $150m of revenue in the second half. During the six months, the market also had to cope with the uncertainty caused by the protracted negotiations between the CSO and Russia for a new contract.

De Beers said rough diamond sales this year had reflected continuing strength in world retail demand for diamond jewellery, particularly in the US. Mr Nicholas Oppenheimer, chairman of the CSO, said: "Retail sales speak volumes about the strength of the market at the moment."

However, analysts suggested that, even though retail sales of big cut diamonds are doing well now, traders were complaining that profit margins were minimal so they did not expect another price increase in the near future.

Rough diamond sales



Source: De Beers CSO

According to De Beers, global retail diamond jewellery sales rose an estimated 5 per cent to about $52.6bn last year. The US contributed strongly, with an increase of 8 per cent to about $16.8bn, and Japanese sales, showing signs of recovery in a difficult economic environment, were at a similar level. European sales, at $7.3bn, were mixed, with France, Italy and the UK performing well.

De Beers said the retail diamond jewellery market was growing at an average 5 per cent a year, and that the long and medium-term prospects "remain positive in most parts of the world".

Among the new markets showing promise were the Gulf states, an area in which De Beers was prevented from promoting diamonds until two years ago because the group was on the Arab black list for trading with Israel. De Beers said sales of diamond jewellery in the Gulf last year reached about $1bn, which made the area the world's fourth or fifth-largest market. The total also excluded, because of local custom, purchases by the Saudi royal family.

Great Central Mines joins FT gold index

By Kenneth Gooding, Mining Correspondent

Great Central Mines, which has been built into Australia's fourth-largest gold producer by entrepreneur Mr Joe Gutnick and resources director Mr Ed Eshuys, is to be included in the Financial Times Gold Mines Index from January 2.

Spurred on by a prediction by his mentor, the late Rebbe Menachem Schneerson, that he would find gold and diamonds in the Western Australian desert, Mr Gutnick made Great Central one of the most aggressive explorers in the country, spending A$50m (US$39.7m) a year.

These efforts were first rewarded in 1991 with the spectacular discovery of the Bronzewing deposit in Western Australia's Yandal Belt. Great Central was originally wooed to the area by Mr Mark Creasy, a British-born prospector. He became one of Australia's richest men when Great Central paid A$117m for his 30 per cent stake in the Bronzewing mine area and his 49 per cent holding in the Jundee mine, discovered in 1992.

Last financial year, Great Central produced 362,000 troy ounces of gold from Bronzewing and Jundee, which it now wholly owns. It has forecast output at 550,000 ounces in the current financial year.

Mr Gutnick has said Great Central would continue its aggressive exploration, and this should provide it with strong growth for at least another five years.

Mr Joe Walsh, RBC Dominion Securities analyst, recently forecast that Great Central's gold production would grow by 80 per cent to at least 650,000 ounces.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE (Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1500-01	1532-33
Previous	1486.5-7.5	1518.5-9.0
High/low	1499	1538/1529
AM Official	1498-99.5	1531.5-32
Kerb close		1537-38
Open int.	243,418	
Total daily turnover	50,333	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1350-55	1370-75
Previous	1335-40	1355-60
High/low		1372/1370
AM Official	1350-52	1370-72
Kerb close		1370-75
Open int.	5,325	
Total daily turnover	1,425	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	692-3	699-700
Previous	687.5-8.5	694-5
High/low	693/692.5	703/698
AM Official	692-2.5	698.5-9
Kerb close		699-700
Open int.	38,335	
Total daily turnover	11,197	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	6525-30	6620-25
Previous	6450-60	6550-60
High/low	6470/6465	6650/6570
AM Official	6465-70	6565-70
Kerb close		6640-50
Open int.	47,495	
Total daily turnover	13,234	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5745-55	5800-10
Previous	5710-20	5765-70
High/low	5750/5730	5820/5800
AM Official	5750-55	5805-10
Kerb close		5820-25
Open int.	15,746	
Total daily turnover	3,788	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1029-30	1053-54
Previous	1026.5-7.5	1051-2
High/low	1029	1057/1053
AM Official	1029.5-30	1053-54
Kerb close		1053-53.5
Open int.	80,637	
Total daily turnover	21,811	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2168-70	2103-04
Previous	2150-52	2101-2
High/low	2162/2158	2115/2090
AM Official	2158-60	2101-03
Kerb close		2113-15
Open int.	158,466	
Total daily turnover	67,930	

■ LME AM Official £/$ rate: 1.6739
LME Closing £/$ rate: 1.6727

Spot: 1.6727 3 mths: 1.6695 6 mths: 1.6651 9 mths: 1.6611

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	101.05	+2.25	102.50	99.20	1,271	3,217
Jan	100.60	+2.75	101.20	98.60	336	6,311
Feb	99.40	+2.20	99.50	97.70	24	1,455
Mar	98.60	+2.20	99.40	96.50	7,233	20,485
Apr	97.30	+2.10	97.30	97.30	10	926
May	96.10	+2.20	96.90	94.30	291	4,561
Total					9,591	53,992

PRECIOUS METALS

■ LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	368.80-369.20		
Opening	369.20-369.50		
Morning fix	369.00	220.54	489.48
Afternoon fix	368.70	220.38	490.07
Day's High	369.30-369.60		
Day's Low	368.55-368.85		
Previous close	369.00-369.40		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	2.95	6 months	3.06
2 months	2.99	12 months	3.74
3 months	3.04		

Silver Fix	p/troy oz.	US cts equiv.
Spot	289.55	485.00
3 months	293.60	490.80
6 months	298.00	496.90
1 year	307.30	509.25

Gold Coins	$ price	£ equiv.
Krugerrand	368-370	220-221
Maple Leaf	-	-
New Sovereign	86-89	51-53

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	370.0	+0.8	370.5	370.0	129	823
Jan	370.5	+0.8	-	-	-	-
Feb	371.3	+0.8	371.6	370.4	32,295	91,152
Apr	373.5	+0.8	373.8	372.7	2,202	22,352
Jun	375.9	+0.8	376.2	375.3	173	15,786
Aug	378.4	+0.9	378.5	378.5	10	5,307
Total					23,982	186,415

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	374.9	+3.1	375.0	372.5	4,198	13,053
Apr	376.7	+3.1	376.8	374.5	2,193	13,313
Jul	379.4	+3.1	379.5	378.5	35	2,040
Oct	382.1	+3.1	-	-	69	1,985
Jan	384.8	+3.1	383.9	383.9	2	222
Total					6,497	30,613

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	117.75	-	-	-	-	-
Mar	121.30	+1.80	121.50	120.00	226	7,156
Jun	122.55	+1.80	-	-	20	395
Sep	123.55	+1.80	-	-	-	5
Dec	124.55	+1.80	-	-	-	17
Total					246	7,573

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	484.0	-	486.5	481.5	41	83
Jan	484.4	-	484.0	484.0	3	24
Feb	486.8	-	-	-	-	2
Mar	489.3	-	492.0	485.5	22,606	55,459
May	493.9	-	494.5	490.0	443	9,610
Jul	498.3	-	500.0	496.0	99	8,381
Total					23,282	83,189

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Jan	25.30	-0.41	26.05	25.03	34,305	34,165
Feb	24.62	-0.38	25.25	24.37	33,253	90,079
Mar	24.08	-0.32	24.60	23.80	8,053	33,949
Apr	23.45	-0.37	23.95	23.40	5,564	21,319
May	22.90	-0.34	23.28	22.90	3,579	17,701
Jun	22.35	-0.34	22.78	22.30	2,708	28,336
Total					na	na

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Feb	23.38	-0.32	23.90	23.21	10,460	58,785
Mar	22.75	-0.28	23.20	22.60	3,015	32,880
Apr	22.14	-0.25	22.57	22.05	2,151	15,101
May	21.50	-0.29	21.96	21.45	1,286	10,660
Jun	20.94	-0.27	21.40	20.89	2,140	12,009
Jul	20.74	-	-	-	-	9,923
Total					na	na

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Jan	72.80	-0.74	74.85	72.15	20,309	28,102
Feb	71.60	-0.70	73.20	71.05	11,781	31,472
Mar	68.65	-0.45	69.80	68.25	3,012	13,408
Apr	64.40	-0.45	65.40	64.25	655	6,129
May	61.00	-0.60	61.70	61.00	398	4,793
Jun	59.20	-0.40	59.90	59.05	713	5,215
Total					na	na

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	219.25	-2.75	222.75	217.50	4,807	28,328
Feb	213.75	-2.25	216.75	212.25	2,764	12,930
Mar	205.50	-2.50	207.50	205.00	531	6,074
Apr	196.50	-2.50	198.25	196.25	261	6,214
May	190.75	-2.50	-	-	-	2,900
Jun	186.25	-2.50	188.00	185.75	480	7,367
Total					8,547	72,315

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Jan	3.940	-0.230	4.315	3.900	26,427	34,112
Feb	3.600	-0.113	3.760	3.475	9,002	31,067
Mar	3.000	-0.084	3.170	2.980	4,491	16,805
Apr	2.465	-0.040	2.570	2.450	2,163	10,014
May	2.280	-0.040	2.340	2.270	611	7,678
Jun	2.200	-0.025	2.230	2.200	553	6,929
Total					na	na

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Jan	69.00	-0.77	70.80	68.70	18,432	20,798
Feb	68.00	-0.77	69.50	67.85	10,440	21,672
Mar	67.60	-0.72	69.20	67.20	5,085	11,500
Apr	69.10	-0.67	69.60	68.80	400	4,737
May	68.50	-0.52	69.60	67.90	185	3,216
Jun	66.70	-1.02	68.20	66.70	15	2,643
Total					na	na

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	95.50	-0.40	95.50	95.50	5	1,041
Mar	97.60	-0.60	97.70	97.50	56	2,061
May	99.60	-0.40	99.60	99.25	35	2,384
Jul	100.85	-0.45	-	-	-	379
Sep	93.40	-0.40	-	-	-	5
Nov	95.40	-0.40	-	-	-	842
Total					96	6,719

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	402.00	-2.50	416.00	401.00	258	380
Mar	400.75	+6.50	410.50	394.50	7,454	31,101
May	373.50	+5.25	387.00	370.00	1,586	5,250
Jul	351.00	+3.00	359.00	347.00	3,092	19,507
Sep	354.00	+3.00	364.00	352.00	14	784
Dec	368.00	+7.00	372.00	361.00	10	491
Total					12,414	57,820

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	271.25	+0.50	276.75	271.00	4,944	4,502
Mar	264.75	-0.75	270.00	263.50	34,394	149,519
May	265.75	-1.75	272.00	265.00	6,559	52,775
Jul	268.25	-1.25	274.00	268.00	3,922	55,216
Sep	263.25	-1.00	267.50	263.00	225	5,847
Dec	261.75	-0.75	265.50	261.50	2,262	36,255
Total					52,472	307,121

■ BARLEY LIFFE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	93.75	-0.50	-	-	-	454
Mar	95.25	-0.50	95.25	95.25	10	237
May	96.50	-0.50	96.50	96.50	5	130
Sep	93.00	-	-	-	-	8
Nov	95.00	-	-	-	-	207
Total					15	1,036

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	704.00	-2.50	716.25	703.00	24,956	46,387
Mar	699.50	-2.00	712.50	698.75	13,545	44,942
May	695.75	-2.75	708.00	695.00	2,627	25,556
Jul	696.50	-2.50	709.00	696.00	2,938	24,418
Aug	695.50	-1.75	705.50	695.00	273	2,971
Sep	680.00	-0.50	686.50	679.00	45	522
Total					45,361	155,712

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	23.24	+0.08	23.35	23.18	1,353	1,161
Jan	23.40	+0.04	23.59	23.38	11,217	25,980
Mar	23.81	+0.01	24.05	23.77	8,817	28,973
May	24.12	-	24.30	24.09	914	13,484
Jul	24.41	+0.04	24.50	24.35	791	9,933
Aug	24.42	+0.02	24.60	24.42	16	1,855
Total					23,288	84,699

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	245.0	+4.0	246.0	241.0	3,022	3,120
Jan	228.1	-0.8	232.6	228.0	10,814	24,135
Mar	220.7	-1.2	224.9	220.5	4,413	24,375
May	216.0	-0.8	220.0	215.8	2,369	15,488
Jul	215.1	-0.6	219.0	215.0	654	10,447
Aug	214.0	-0.7	217.5	214.0	46	2,060
Total					21,661	83,164

■ POTATOES LIFFE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	51.3	+0.8	-	-	-	-
Apr	61.3	+0.8	61.5	61.0	24	1,258
May	63.5	+1.0	63.1	63.1	2	43
Jun	73.5	+1.0	-	-	-	-
Nov	68.0	+1.0	-	65.0	-	2
Apr	114.0	+1.0	114.0	114.0	2	557
Total					28	1,889

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	1518	-	-	-	-	304
Jan	1450	+15	1450	1440	86	1,818
Feb	1418	+8	1424	1422	10	360
Apr	1490	+10	1490	1490	33	831
Jul	1220	+5	1220	1210	29	429
Oct	1325	-	-	-	-	100
Total					163	3,877

	Close	Prev
BFI	1518	1513

FUTURES DATA
All futures data supplied by CMS.

SOFTS

■ COCOA LIFFE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	855	+4	850	847	7	141
Mar	912	+6	912	899	3,525	48,583
May	929	+3	931	920	1,016	17,124
Jul	947	+2	948	939	378	12,268
Sep	965	+2	968	958	855	8,544
Dec	974	+1	976	967	488	8,710
Total					7,217	119,568

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	1374	+18	1377	1356	4,928	33,960
May	1397	+17	1400	1381	243	12,698
Jul	1420	+16	1422	1410	1,790	9,225
Sep	1438	+15	1441	1431	3	6,756
Dec	1458	+15	1459	1445	83	1,490
Mar	1474	+16	1471	1465	29	11,892
Total					7,057	80,784

■ COCOA (ICCO) (SDR's/tonne)

	Price	Prev. day
Dec 17 Daily	na	1021.73

■ COFFEE LIFFE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	1307	-7	1314	1299	1,214	12,454
Mar	1260	+2	1262	1246	2,033	21,176
May	1223	+2	1225	1211	945	6,474
Jul	1223	+15	1228	1203	812	1,866
Sep	1223	+15	1228	1200	367	1,117
Nov	1223	+15	1215	1215	5	618
Total					5,376	43,707

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	111.90	+2.00	112.15	108.50	4,152	15,946
May	109.00	+1.85	109.20	107.25	535	6,377
Jul	107.30	+1.25	107.50	106.10	100	1,876
Sep	105.60	+1.60	106.00	104.30	55	1,461
Dec	103.50	+2.00	104.00	102.25	45	1,089
Mar	101.30	+1.80	101.50	101.40	9	143
Total					5,034	27,001

■ COFFEE (ICO) (US cents/pound)

Dec 17		Prev. day
Comp. daily	89.76	90.04
15 day average	90.60	91.00

■ WHITE SUGAR LIFFE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	307.6	+2.8	307.5	303.8	1,534	14,690
May	307.1	+2.7	306.8	303.5	178	5,532
Aug	307.6	+2.3	307.9	305.4	30	2,617
Oct	302.9	+1.9	302.9	302.9	2	1,771
Dec	303.4	+1.9	303.4	303.4	2	554
Mar	304.6	+1.6	-	-	-	382
Total					1,746	25,588

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	10.86	+0.09	10.87	10.69	23,998	79,748
May	10.89	+0.06	10.89	10.76	4,632	31,606
Jul	10.84	+0.03	10.85	10.77	2,945	22,891
Oct	10.82	-0.01	10.84	10.78	886	13,214
Mar	10.79	-0.05	10.82	10.76	802	3,865
May	10.78	-0.05	-	-	43	879
Total					33,306	152,716

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	75.53	-0.01	75.74	74.82	3,555	25,074
May	76.65	+0.10	76.75	76.11	1,194	10,952
Jul	77.45	+0.09	77.50	77.00	159	7,819
Oct	77.13	+0.13	76.80	76.56	21	1,241
Dec	76.60	-	76.65	76.35	163	9,643
Mar	77.50	-	-	-	15	480
Total					5,107	55,592

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	88.85	-1.55	90.90	88.80	1,414	9,100
Mar	92.35	-1.50	94.50	92.25	2,073	12,334
May	95.80	-1.20	97.50	95.80	238	3,218
Jul	98.75	-1.00	100.50	98.75	30	725
Sep	101.90	-0.95	102.50	102.00	5	263
Nov	102.05	-0.70	102.80	102.50	1	78
Total					3,761	25,782

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	66.550	-0.175	66.675	66.425	2,854	5,020
Feb	63.425	+0.175	63.450	63.100	6,020	33,949
Apr	64.450	-	64.550	64.250	2,448	22,533
Jun	62.350	+0.050	62.450	62.250	1,481	9,817
Aug	62.100	-	62.175	62.025	769	8,457
Oct	64.775	+0.100	64.800	64.600	225	3,965
Total					14,098	87,820

■ LEAN HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	60.250	+0.125	60.450	59.900	1,614	3,573
Feb	75.450	-	75.575	75.200	3,490	14,375
Apr	71.525	+0.100	71.575	71.200	766	5,762
Jun	74.575	+0.100	74.700	74.325	721	5,032
Jul	71.850	+0.175	71.900	71.550	138	1,452
Aug	68.050	+0.050	68.050	67.800	55	905
Total					6,941	32,384

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	78.050	+0.675	78.200	76.650	1,360	4,501
Mar	77.200	+0.625	77.300	76.175	89	882
May	78.000	+0.550	78.400	76.500	5	568
Jul	77.975	+0.575	77.975	76.500	21	467
Aug	73.000	+0.150	73.400	73.000	5	112
Total					1,480	6,518

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Jan	Apr	Jan	Apr
1500	30	84	9	35
1525	16	70	20	45
1550	7	57	36	57

■ COPPER (Grade A) LME	Jan	Apr	Jan	Apr
2100	112	125	10	119
2200	45	84	43	176
2300	12	54	109	245

■ COFFEE LIFFE	Jan	Mar	Jan	Mar
1200	107	90	-	30
1250	57	61	-	51
1300	13	40	6	80

■ COCOA LIFFE	Mar	May	Mar	May
850	67	87	5	8
875	48	67	11	13
900	32	51	20	22

■ BRENT CRUDE IPE	Feb	Mar	Feb	Mar
2300	-	-	76	-
2350	-	-	-	-
2400	55	-	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$21.36-1.43w	-0.456
Brent Blend (dated)	$23.65-3.71	-0.42
Brent Blend (Feb)	$23.30-3.32	-0.44
W.T.I.	$24.58-4.59w	-0.445

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$224-226	-1
Gas Oil	$221-222	-1
Heavy Fuel Oil	$113-115	
Naphtha	$218-220	-2.5
Jet fuel	$248-249	-4.5
Diesel	$231-233	-6

■ NATURAL GAS (Pence/therm)

Bacton (Jan)	18.50-19.00	-0.20

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

Gold (per troy oz)♣	$369.05	-0.15
Silver (per troy oz)♣	484.50c	-4.00
Platinum (per troy oz.)	$370.00	+3.00
Palladium (per troy oz.)	$117.50	
Copper	106.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	14.31r	
Tin (New York)	270.50	+5.00
Cattle (live weight)	105.28p	-3.58*
Sheep (live weight)	133.94p	-0.24*
Pigs (live weight)†	90.34p	-0.43*
Lon. day sugar (raw)	$266.60	+4.60
Lon. day sugar (wte)	$309.80	+3.40
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	127.0	
Wheat (US Dark North)	Unq	
Rubber (Jan)♥	80.50p	
Rubber (Feb)♥	80.50p	
Rubber (KL RSS No1)	318.5x	-1.0
Coconut Oil (Phil)§	$805.0y	-5.0
Palm Oil (Malay.)§	532.5x	+2.5
Copra (Phil)§	502.5	+7.5
Soyabeans (US)	195.0z	
Cotton Outlook'A' index	79.50	-0.05
Wooltops (64s Super)	395p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. x Jan w Feb y Dec/Jan♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on na head of pigs sold. ♦ New month of January.

Minor Metals

European Free Market, from Metal Bulletin, $ per lb in warehouse, unless otherwise stated (Last week's in brackets, where changed) Antimony, 99.65% $ per tonne 2100-2175 (2075-2175) Bismuth min 99.99% tonne lots 3.00-3.40 Cadmium 99.95% cts a pound 65-70 Cobalt MB free mkt min 99.8% 21.25-22.25 (21.50-22.50) min 99.3% 20.25-20.75 (20.25-21.00) Mercury min 99.99% $ per 76lb flask 162-172 Molybdenum Drummed molybdic oxide 4.30-4.60 Selenium min 99.5% 2.60-3.60 Tungsten ore Std min 65% $ per tonne unit (10kg) WO_3 cif 43-53 Vanadium min 98% cif 3.25-3.35 Uranium nuexco unrestricted exchange value 14.40

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Dec 18	Dec 17	month ago	year ago
1963.1	1960.5	1830.4	2103.4

■ CRB Futures (Base: 1967 = 100)

Dec 17	Dec 16	month ago	year ago
244.54	245.58		

■ GSCI Spot (Base: 1970 = 100)

Dec 17	Dec 16	month ago	year ago
223.70	227.66	210.03	195.71

JOTTER PAD

CROSSWORD

No.9,255 Set by ADAMANT

ACROSS

1 Produces germs of civilisations (8)
5 In the middle of the day the German was up to date (6)
9 Take in French cathedral's outlines (8)
10 Ability to dissemble when caught in giant error (6)
11 Following orders, but having no inclination to give up life inside (8)
12 Coming victory has a hollow setting (6)
14 Refusal to vote for temperance? (10)
18 Warships sorted out the outdated extreme Royalists (10)
22 Pass away, asleep (6)
23 Symbols of authority for doctors, the press, etc (8)
24 Order new study in information technology (6)
25 Woman priest as governor (8)
26 Runs round, restricted by the queen's mistakes (6)
27 Felt the chickens do not produce enough eggs? (8)

DOWN

1 Mad bird (6)
2 Cuts could eat initially into the county (6)
3 More land for parking one auto carelessly (6)
4 Messengers can make mistakes and shed tears, holding last delivery up (6,4)
6 Having no money around, the detectives went west (8)
7 Outbreak affecting good fifty per cent in the City (8)
8 Denying Newton was anti egg transplants (8)
13 The pull of beauty (10)
15 He's in a low nightclub – and sticking there! (8)
16 A man's man, say (8)
17 Rip out issue on queen as captive (8)
19 Round here the bat comes first (6)
20 Depression in a graduate led initially to being cruel (6)
21 A second attempt to include the article went off the rails (6)

Solution 9,254

هكذا من الأصل

FT MANAGED FUNDS SERVICE

Offshore Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd
Pembroke Hall, Pembroke, Bermuda

Prices for dealing December 18

Jupiter Tyndall (Bermuda) Ltd
PO Box HM1258, Hamilton, Bermuda 001 809 292 2769
Jupiter Tyndall World Bermuda Fund Ltd

	Selling Price	Buying Price	+ or -	Yield Gr's
Eurobond	$16.34	17.17	-0.02	3.33
Money	$14.29	15.01	+0.01	2.58
Mortgage	C$24.37	25.60	+0.09	7.12
North American	$14.80	15.34	+0.01	-
Overseas	$17.38	18.25	+0.02	-
Tiger	$16.84	17.68	-0.03	-
UK Small Cos	£1.32	1.40	—	0.00

Newport Investment Management

Orion Fund Limited

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

Prudential Fund Managers (Guernsey) Ltd
PO Box 61, St Peter Port Guernsey 01481 707000
Prudential Money Funds Ltd

	Selling Price	Buying Price	+ or -	Yield Gr's
Managed Sterling	147.2	147.8	-0.2	4.75
Managed Dollar	$14.27	14.28	+0.04	4.88
Dollar Deposit	$10.05	10.05	—	3.74

Rothschild Asset Management (CI) Ltd
PO Box 242, St Peter Port, Guernsey 01481 713713

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

Murray Johnstone (Dublin) Ltd
Europa House, Harcourt St, Dublin 2 353 1 487 2080

Odey Asset Management Ltd
30 Harcourt Street, Dublin 2

Old Mutual International Fd Mngrs Ltd (z)

Baring Mutual (Ireland) Ltd

	Selling Price	Buying Price	+ or -	Yield Gr's
Umbrella Fund Inc	$12.80	13.29	—	0.00
Latin America	$7.42		+0.14	0.00
Taiwan Fund NAV	$10.76		—	0.00

Berkshire KITC Growth Fund Plc

Berkshire Korea Fund Plc

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

Worldinvest (Managers) Jersey Ltd

	Selling Price	Buying Price	+ or -	Yield Gross
Worldinvest Inc Fd †	$264.93	266.26		5.65
Excalie Global Emg Mkts	$9.78	9.84		-
Excalie Global Eqty $	$80.14	80.55		-
Excalie Stg Global Fxed Int	£11.47	11.54		5.05

Valued weekly * Mondays. † Wednesdays.

LUXEMBOURG (SIB RECOGNISED)

ABN AMRO Funds (u)

4 Rue Jean Monnet, L-2180 Luxembourg 352 4249490320

	Selling Price	Buying Price	+ or -	Yield Gr's
Latin America Equity	$48.27	48.95	-	-
North America Equity	$82.34	82.95	-	-
Asian Tigers Equity	$63.18	63.87	-	-
Europe Equity	£74.65	75.02	-	-
Germany Equity	DM139	139.88	-	-
Japan Equity	$47.43	47.90	-	-
Europe Bond	$61.94	62.09	-	-
US Bond	$59.31	59.48	-	-
Global Bond	$81.65	81.80	-	-
Germany Bond B	DM109.6	109.90	-	-
Spain Bond	Pta159	10286	-	-
Eastern Europe Equity F	$184.25	185.18	-	-
China Equity F	$61.18	81.94	-	-
Scotland Equity	$128.2	128.85	-	-

Abtrust Fund Mngrs Luxembourg SA (u)

4 Boulevard Royal L 2449 Luxembourg 00 352 227001

Abtrust Atlas Fund

	Selling Price	+ or -	Yield Gr's
Global Cap Portfolio	$3.818	-0.001	-
United States Portfolio	$5.505	+0.010	-
Conti Europe Portfolio	DM5.450	-0.016	-
Japan Portfolio	¥0.567	-0.002	-
Pacific Portfolio	$6.560	+0.003	-
Gold Portfolio	$8.071	-0.009	-
UK Growth of Income	£2.088	-0.003	3.61
Dollar Portfolio	$1.883	-0.001	7.03
Sterling Portfolio	£1.088	-0.001	6.30

Fidelity Funds - Contd.

Country Select Funds

	Selling Price	+ or -	Yield Gr's
ASEAN	$19.57	-0.19	-
Asian Special Situations	$10.83	-0.09	-
Australia	A$18.49	-0.14	-
Emerging Markets	$8.060	-0.014	-
European Sm Cos F	DM14.54	-0.09	-
France	FFr87.17	-0.66	-
Germany	DM22.11	-0.21	-
Hong Kong	$52.80	-0.38	-
Iberia	Pta2048	-12	-
Indonesia	$11.15	+0.03	-
Italy	L14605	-29	-
Japan Smlr Cos	Y987.4	-3.6	-
Korea F	$6.903	-0.122	-
Latin America	$9.320	+0.023	-
Malaysia	$34.77	-0.29	-
Nordic	SKr198.1	-2.0	-
Singapore	$26.12	-0.10	-
Switzerland	SFr15.40	-0.08	-
Thailand	$26.41	-0.08	-
United Kingdom	£1.145	-	-

Bond Funds

	Selling Price	+ or -	Yield Gr's
European	Ecu11.38	+0.01	6.90
International	$1.002	+0.003	5.36
US Dollar	$5.884	-0.007	5.72
Sterling	£0.252	-	7.29
Yen	Y1887	+2	2.34

Balanced

	Selling Price	+ or -	Yield Gr's
European Balanced	DM13.00	-0.05	1.82

Prices as at December 17

Fleming Group (u)

6 Route De Treves L-2633 Senningerberg Luxembourg
00 352 34101 or 0800 960 284
Internet: http://www.flemings.lu

Fleming Flagship Fund (daily dealing)

	Selling Price	Buying Price	+ or -	Yield Gr's
FFF American	$53.23	56.31	+0.07	-
FFF Amer Fledlling F	$63.17	66.83	-0.29	-
FFF Asian Smaller Cos F	$10.43	11.04	+0.01	-
FFF China	$14.00	14.82	+0.39	-
FFF Continental Europe F	DM37.20	39.35	+0.10	-
FFF DM Balanced F 5	DM11.08	11.72	+0.02	-
FFF DM Bond 3	DM11.00	11.40	-0.01	6.50
FFF Eastern European F	[illegible]	22.70	+0.27	-

Mercury Asset Management S.A.

B.P. 1058, L-1010 Luxembourg 00 352 3420101

Mercury Selected Trt-SICAV (u)

	Selling Price	Buying Price	+ or -	Yield Gr's
Belgian Franc Global Bond	BFr1287	1288	+1.00	0.00
DM Global Bond	DM28.95	28.37	-0.01	3.86
Dollar Global Bond	$13.45	14.17	-0.02	3.88
Peseta Global Bond	Pta1478	1557	-2.00	0.00
Sterling Global Bond	£11.14	11.74	-0.01	3.85
Swiss Franc Global Bond	SFr106.8	112.52	+0.01	3.51
Yen Global Bond	$14.68	15.46	-	3.88
European Bond	DM22.94	24.16	+0.01	4.14
Global Portfolio	$14.14	14.92	+0.02	0.00
Global Equity	$67.82	71.40	+0.04	0.00
Emerging Markets	$11.54	12.16	+0.04	0.00
Gold & Mining	$9.74	10.27	+0.03	0.00
Australian & New Zealand	$25.06	26.47	+0.03	0.00
Eastern European	DM47.48	49.38	+0.43	0.00
European	$40.56	42.71	+0.16	0.00
Japan	$20.44	21.38	-0.13	0.00
Latin American	$9.12	9.61	+0.13	0.00
North American	$44.12	46.46	+0.25	0.00
Pacific	$19.30	20.33	-0.02	0.00
Singapore & Malaysian	$31.18	32.84	-0.02	0.00
United Kingdom	£41.42	43.61	+0.39	0.00
Asian Opps	$26.65	28.06	-0.07	0.00
European Opps	$34.30	36.01	-0.05	0.00
Global Opps	$11.18	11.79	-0.06	0.00
Japan Opps	$17.49	18.42	-0.11	0.00
North American Opps	$41.89	44.11	-0.35	0.00
United Kingdom Opps	£18.83	19.94	+0.04	0.00
DM Reserve	DM126	112.80	+0.02	0.00
Dollar Reserve	$103.3	106.37	-	0.00
Sterling Reserve	£116.8	118.89	-0.02	0.00
Swiss Franc Reserve	SFr104	108.05	-	0.00

Mercury Offshore Stg Tst-SICAV (u)

	Selling Price	Buying Price	+ or -	Yield Gr's
Global	£1.708	1.804	-0.004	0.02
Overseas	£1.828	1.937	-0.006	0.00
European	£2.268	2.387	-0.012	0.00
Japan	£0.818	0.880	-0.008	0.00
North American	£2.453	2.587	+0.007	0.00
Pacific	£2.168	2.303	-0.010	0.03
United Kingdom	£1.889	2.011	+0.004	1.85
Reserve	£0.878	0.923	-	5.00

Midland Intl Circuit Fund SICAV(u)

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

OFFSHORE INSURANCES

[illegible]

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

Old Mutual International (Guernsey) Ltd

PO Box 171, St. Peter Port Guernsey 01481 726726

	Selling Price	Buying Price	+ or -	Yield Gross
£ Stg Managed	£4.516	4.858	—	—
£ European Stockmkt	£3.173	3.363	—	—
£ UK Stockmkt	£5.184	5.574	—	—
£ Sterling Special Mkt	£4.712	3.087	—	—
£ UK Fixed Interest	£4.836	5.380	—	—
£ Stg Money Mkt	£2.980	3.213	—	—
£ Capital Guarantee	£1.725	1.853	—	—
$ Dollar Managed	$3.348	3.681	—	—
$ Intl Stockmkt	$4.430	4.773	—	—
$ US Dollar Bond	$1.401	1.506	—	—
$ Nth Am Stkmkt	$3.912	4.207	—	—
$ Japan Stockmkt	$1.592	1.710	—	—
$ Pacific Stockmkt	$5.364	5.768	—	—
$ Emerging Asian Stockmkt	$2.329	2.505	—	—
$ Hong Kong Stockmkt	$8.027	8.631	—	—
$ Intl Fixed Interest	$3.888	4.182	—	—
$ Intl Mngd Currency	$2.482	2.849	—	—
$ Dollar Money Mkt	$2.278	2.450	—	—
$ Latin American Stkmkt	$0.935	1.006	—	—
$ Dollar Special Mkt	$1.060	1.140	—	—
$ Emerging Market Bond	$1.214	1.306	—	—
$ Emerging Stockmarkets	$0.854	0.918	—	—

Alliance Capital

	Selling Price	Buying Price	+ or -	Yield Gross
International	$18.08	19.88		—
International Class B	$17.17			—
Quasar	$27.88	29.80		—
Quasar Class B	$25.88			—
Global Small Cap	$12.88	13.14		—
Global Small Cap Class B	$11.92			—

Allied Dunbar International Fund Mngrs (1606)F

	Selling Price	Buying Price	+ or -	Yield Gross
ADI Emerging Asia	$0.6704	0.7165	-0.0015	0

Alpha Fund Management Ltd

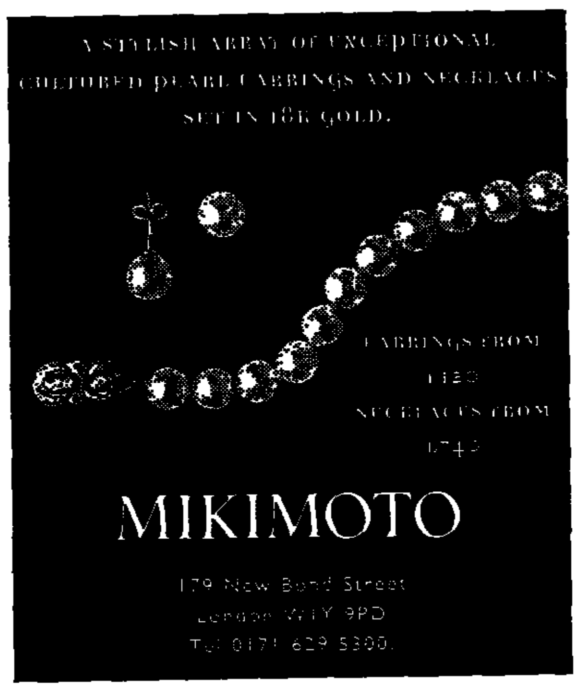
Arcadia Capital Advisors LLC

Arc Investment Company Ltd

Ardent Partners (BVI) Ltd

PanEuroLife société anonyme

35 Av Marie-Thérèse, Luxembourg 00 352 458730



Global Asset Management - Contd.

Jardine Fleming Unit Trusts Ltd - Contd.

OTHER OFFSHORE FUNDS

● MANAGED FUNDS NOTES

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

Notes	Price	+or-	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BANKS, MERCHANT

Notes	Price	+or-	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BANKS, RETAIL

Notes	Price	+or-	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BREWERIES, PUBS & REST

Notes	Price	+or-	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BUILDING & CONSTRUCTION

Notes	Price	+or-	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BUILDING MATS. & MERCHANTS

Notes	Price	+or-	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CHEMICALS

Notes	Price	+or-	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CHEMICALS - Cont.

Notes	Price	+or-	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DISTRIBUTORS

Notes	Price	+or-	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

DIVERSIFIED INDUSTRIALS

Notes	Price	+or-	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ELECTRICITY

Notes	Price	+or-	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ELECTRONIC & ELECTRICAL EQPT

Notes	Price	+or-	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ENGINEERING

Notes	Price	+or-	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ENGINEERING - Cont.

Notes	Price	+or-	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

ENGINEERING, VEHICLES

Notes	Price	+or-	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EXTRACTIVE INDUSTRIES

Notes	Price	+or-	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EXTRACTIVE INDUSTRIES - Cont.

Notes	Price	+or-	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FOOD PRODUCERS

Notes	Price	+or-	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FOOD PRODUCERS - Cont.

Notes	Price	+or-	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

GAS DISTRIBUTION

Notes	Price	+or-	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

HEALTH CARE

Notes	Price	+or-	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

HOUSEHOLD GOODS

Notes	Price	+or-	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

HOUSEHOLD GOODS - Cont.

Notes	Price	+or-	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INSURANCE

Notes	Price	+or-	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INVESTMENT TRUSTS

Notes	Price	+or-	52 week high	low	Yld Gr's	NAV	Dis or Pm(-)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INVESTMENT TRUSTS - Cont.

Notes	Price	+or-	52 week high	low	Yld Gr's	NAV	Dis or Pm(-)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

INV TRUSTS SPLIT CAPITAL

Notes	Price	+or-	52 week high	low	Yld Gr's	NAV	Dis or Pm(-)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

هكذا من الأصل

هكذا من الأصل

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LIFE ASSURANCE

LIFE ASSURANCE - Cont.

MEDIA

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PAPER, PACKAGING & PRINTING - Cont.

PHARMACEUTICALS

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TEXTILES & APPAREL - Cont.

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	52 week low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		[illegible]	—	[illegible]	[illegible]	1,734	3.2	ф
Barlow		[illegible]	—	[illegible]	[illegible]	1,048	2.6	ф
Gold Flds Prop R.		134½	-½	178	120	13.8	5.7	11.7
[illegible] Props		65	—	95	60	2.61	12.6	–
SASOL	♥	645	—	710	517	3,777	1.5	–
SA Brews		[illegible]	[illegible]	[illegible]	[illegible]	4,094	2.3	ф
Standard Bank		121	[illegible]	[illegible]	[illegible]	2,515	1.6	20.1
Tiger Oats		790	—	1270	770	1,188	2.1	ф
Tongaat-Hulett		749xd	-4½	1247	576¼	708.4	2.2	ф

GUIDE TO LONDON SHARE SERVICE

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Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column only as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings'/share.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

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LONDON STOCK EXCHANGE

Bid action sees Footsie sail through 4,000

MARKETS REPORT

By Steve Thompson, UK Stock Market Editor

The appearance of two more bids was exactly what the London market needed yesterday to offset the impact of economic news, regarded as increasing the chances of a rise in UK interest rates next month.

The two new cash bids, coming hard on the heels of offers for Newman Tonks and Burnfield, rekindled the market's enthusiasm in hunting for the next takeover candidates and drove all the main indices sharply higher.

The FTSE 100 index left 4,000 behind, spiralling upwards and eventually closing 38.6 higher at 4,018.2. The FTSE 250 gained 16.5 to 4,380.5 and the FTSE SmallCap 8.9 to 2,140.6.

International news was also positive. The US Federal Reserve's Open Market Committee left interest rates unchanged, giving a fillip to Wall Street on Tuesday. The Dow Jones Industrial Average gave another powerful performance yesterday, pushing up a further 35 points well after London closed.

Entergy's £1.3bn agreed bid for London Electricity came as no real surprise, having being widely predicted in the press.

But the £432m offer for Clyde from Gulf Canada Resources came out of the blue, and triggered a general scramble for the exploration stocks. The hostile bid heightened expectations in a sector already undergoing something of a re-rating after the "top-dollar" purchase of Sante Fe, a big North Sea operator, some weeks ago.

With Clyde shares moving well above the 105p a share bid, the market anticipates a battle developing for what is regarded as one of the few remaining quality stocks in the sector. Enterprise Oil is viewed as a likely counter-bidder, while British Borneo is seen as the sector's next potential target.

Helping fuel the market's morning rise was at least two trading programmes. One, said to be valued at £60m, was weighted equally between purchases and sales but the other, estimated to have been around £150m, was said to have been heavily biased on the buy side.

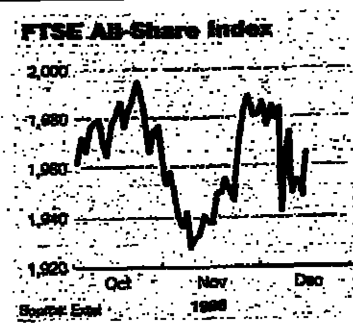
Dealers were increasingly convinced that at least one sizeable financial sector bid or merger would shortly hit the market. Abbey National was being aggressively bought, despite the company's recent insistence that it is not involved in any form of merger/acquisition talks. The composite insurers were again in demand, with General Accident in receipt of a buy recommendation from Cazenove.

All this meant that the market was able to ignore a sharp fall in unemployment and strong retail sales figures.

Turnover was boosted by the trading programmes to reach 980.6m shares at the 6pm reading, the heaviest business for many weeks. Customer business on Tuesday was valued at £1.16bn.

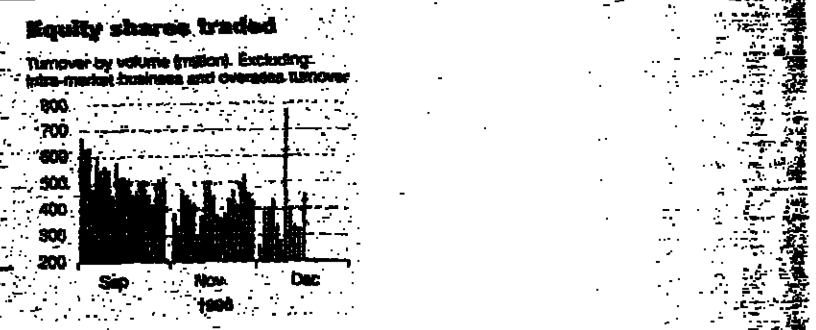
The big upturn in business was also seen on the Tradepoint dealing system which enjoyed its best ever trading day, turning over in excess of £32m worth of shares, including £20m worth of Lloyds Abbey Life shares via what was seen as an arbitrage deal.

FTSE All-Share Index



Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FTSE 100	4018.2	+38.6	FT 30	2762.6	+22.0
FTSE 250	4380.5	+16.5	FTSE Non-Fins p/e	17.76	17.63
FTSE 350	1994.0	+16.7	FTSE100 Fut Dec	4016.0	+40.0
FTSE All-Share	1965.31	+15.86	10 yr Gilt yield	7.70	7.70
FTSE All-Share yield	3.84	3.87	Long gilt/equity yld ratio	2.02	2.01

Best performing sectors		Worst performing sectors	
1 Oil Exploration	+5.6	1 Gas Distribution	-0.4
2 Banks; Retail	+1.5	2 Chemicals	-0.2
3 Extractive Inds	+1.5	3 Tobacco	-0.2
4 Diversified Inds	+1.4	4 Distributors	-0.1
5 Mineral Extraction	+1.4	5 Health Care	+0.1

Bid move inspires oils

By Peter John, Joel Kibazo and Lisa Wood

Clyde Petroleum was the principal surprise yesterday. Just when analysts thought it was safe to start going out for Christmas drinks, Gulf Canada came in with a 105p a share bid.

Gulf's move gives further impetus to a sector that has outperformed the broad market by some 25 per cent and has already encouraged some chunky offers.

It raises the prospect of at least £432m – the opening value of Gulf Canada's offer – pouring back into the sector. And it refocuses the market's attention on further bids within the industry.

Consequently, Lasmo and Enterprise were the best performing stocks within the Footsie, while Premier, Monument Oil & Gas and Cairn Energy topped the FTSE 250 list.

Attitudes about valuation varied wildly. One of the more cautious sector analysts argued that an offer of between 60p and 70p a share was more realistic, particularly as oil prices were set to dive as the cold winter weather dies away.

However, the bull argument is that the Gulf Canada offer should have started at around 125p. There is also a feeling that there may be other interested parties, with names such as PanCanadian, Anadarko and Apache were cited.

Yesterday, Clyde jumped 34 to 118½p, Lasmo 7½ to 227p, Enterprise 24 to 595½p, Premier 2¼ to 32½p, Monument 4 to 65p and Cairn 21½ to 411½p.

Northern Electricity slipped as a surprise move by one of its brokers, combined with the latest bid elsewhere in the sector, raised the possibility that CalEnergy's offer might fail.

Cal's £782m hostile takeover bid is one of the most closely fought the sector has seen. And although the US utility effectively has about 34 per cent of Northern under its belt, the remaining 16 per cent could be a struggle.

Yesterday BZW, Northern's broker, and Schroders, Northern's merchant bank, rang around the arbitrageurs and offered to take the stock off their hands at 645p a share. Compared with Cal's offer of 650p a share it looked niggardly. But the jam-today move would enable the arbs to take their profits and switch into rivals that offer more value.

Also, Northern claimed that Entergy's bid for London Electricity, which had been widely flagged in the weekend press, would translate at 780p a share if it had been made for Northern. Northern made a last ditch plea to shareholders to reject the US attack and Northern fell 5½ to 630p.

Several analysts were less convinced about Northern's independence however; Mr Adam Forsyth argued that the London move translated to only 700p a share and shareholders were unlikely to receive a much better offer. Meanwhile, London Electricity gained 13 to 696½p after Entergy's 705p a share offer.

Pearson improves

Pearson, owner of The Financial Times, was the third best performer in the FTSE 100, climbing 22 to 711½p after a trading statement which said that the second half of the year was in line with the first. The statement confirmed the group's previous plans.

One analyst said the market had given a big sigh of relief – after the stock had slipped to a two month low earlier this week. "There was nothing new in the statement," said the analyst. "But the market had been nervous because recent formal announcements from the group have been cautious."

EMI Group hardened 15¾ to 1321½p with the market buoyed by the betting on the Spice Girls' latest single *2 Becomes 1*, which is on EMI's Virgin label, reaching the number one slot at Christmas. Record shops are said to have placed large orders for the single.

Rank rose 12 to 442p ahead of today's trading update. One analyst said however that the market may be running ahead of itself.

Courtaulds Textiles, which fell sharply on Tuesday following profits warnings from rivals, rallied 5 to 226p. The low end of the range of analysts' forecasts is £4.3m of profit after exceptionals and could be argued as a minus figure if estimated losses on the sale of fixed assets are included. Analysts may be re-examining forecasts in the wake of Sherwood's and Coats Viyella's warnings. But they are expected to wait until the company's trading statement on January 10. Sherwood fell a further 1½ to 40p but Coats added 1¼ at 129½p.

Guinness hardened 4¼ to 443½p in the wake of the announcement earlier this week that Japan is proposing to halve the tax on scotch whisky. Analysts said the market had not got too excited by the move, with Guinness probably unable to increase its prices substantially in Japan so as to improve margins.

Sears slipped one penny to 91p following a couple of downgrades, including one from Merrill Lynch, which reduced its full year forecast from £115m to £100m. This was because of concern about a deterioration in the footwear and agency mail order businesses.

In engineering stocks, Siebe was a feature, after the company announced new orders for its industrial control systems worth over £150m. Siebe said the orders were taken from customers across the chemical, oil, gas, power and semiconductor industries. The shares raced 16½ ahead to 1008p.

Components group T&N surrendered some of its recent gains, closing 2½ lighter at 172½p, with Merrill Lynch said to have advised clients to switch out of the stock and into GKN, which eased to 1045p.

The market was cheered by the news that British Airways is to sell its 25 per cent stake in US carrier USAir. The shares appreciated 9¼ to 601p in trade of 4m, with one market specialist saying: "The sale is unlikely to make BA much profit but allows it to concentrate on its proposed strategic alliance with American Airlines."

British Telecom hardened a penny to 393½p, in trade of 12m, after it announced increased retail prices for calls to subscribers of mobile phone companies One2One and Orange.

Shares in electronic security firm ADT moved sharply ahead after US group Western Resources, which already holds a 23 per cent stake, announced a bid for the rest of the group. The shares rose 162½ to 1375p.

FT 30 INDEX

	Dec 18	Dec 17	Dec 16	Dec 13	Dec 12	Yr ago	*High	*Low
FT 30	2762.6	2740.6	2752.0	2738.3	2765.7	2633.0	2885.2	2668.8
Ord. div. yield	4.17	4.20	4.15	4.17	4.14	4.11	4.22	3.76
P/E ratio net	17.07	16.84	16.64	16.55	16.66	15.64	17.46	15.80
P/E ratio nil	16.90	16.78	16.48	16.39	16.50	15.44	17.30	15.71

FT 30 since compilation: high 2885.2 19/04/96; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2747.2	2751.1	2750.6	2757.4	2760.4	2759.0	2757.7	2757.4	2762.7	2763.4	2747.0

	Dec 18	Dec 17	Dec 16	Dec 13	Dec 12	Yr ago
SEAQ bargains	32,261	31,801	32,705	30,541	30,990	26,956
Equity turnover (£m)†	-	1157.6	969.4	895.6	945.3	2661.3
Equity bargains†	-	16,775	18,685	15,827	15,983	32,159
Shares traded (ml)†	-	364.7	453.6	325.5	332.3	904.4

†Excluding intra-market and Crest business and overseas turnover.

	Dec 18	Dec 17	Dec 16	Dec 13	Dec 12	Yr ago	*High	*Low
FTSE AIM	1021.20	1015.90	1015.60	1013.50	1017.90	-	1140.40	965.70

 *For 1996.

■ London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	655	Total Highs	64	Total contracts	48,372
Total Falls	541	Total Lows	130	Calls	25,833
Same	1,406			Puts	17,539

Dec 18 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

LONDON RECENT ISSUES: EQUITIES

FT GOLD MINES INDEX

FTSE Actuaries Share Indices — The UK Series

■ FTSE Actuaries Industry Sectors

■ Hourly movements

■ FTSE 350 Industry baskets

TRADING VOLUME

■ Major Stocks Yesterday

FTSE INTERNATIONAL

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Dec 18 / Sch)

BELGIUM/LUXEMBOURG (Dec 18 / Frs.)

CZECH REP (Dec 18 / Koruna)

DENMARK (Dec 18 / Kr)

FINLAND (Dec 18 / Mkk)

FRANCE (Dec 18 / Frs.)

GERMANY (Dec 18 / Dm.)

GREECE (Dec 18 / Drachma)

ITALY (Dec 18 / Lira)

NETHERLANDS (Dec 18 / Fls.)

NORWAY (Dec 18 / Kroner)

POLAND (Dec 18 / Zloty)

PORTUGAL (Dec 18 / Escudo)

SPAIN (Dec 18 / Pts.)

SWEDEN (Dec 18 / Kronor)

SWITZERLAND (Dec 18 / Frs.)

TURKEY (Dec 18 / Tk Lira)

PACIFIC

JAPAN (Dec 18 / Yen)

AUSTRALIA (Dec 18 / Aust$)

HONG KONG (Dec 18 / H.K.$)

INDONESIA (Dec 18 / Rupiah)

MALAYSIA (Dec 18 / MYR)

NEW ZEALAND (Dec 18 / NZ $)

SINGAPORE (Dec 18 / S$)

SOUTH KOREA (Dec 18 / Won)

TAIWAN (Dec 18 / TW $)

THAILAND (Dec 18 / Baht)

AFRICA

SOUTH AFRICA (Dec 18 / Rand)

NORTH AMERICA

CANADA

MONTREAL (Dec 18 / Can $) 4pm close

TORONTO (Dec 18 / Can $) 4pm close

Prices supplied by Telekurs, part of FT information.

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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INDICES

	Dec 18	Dec 17	Dec 16	1996 High	1996 Low
Argentina					
General(29/12/77)	(u) 17582.11	17280.10	18881.95 20/5		15207.25 22/8
Australia					
All Ordinaries(1/1/80)	2323.7	2315.8	2336.3	2394.70 25/11	2098.10 17/7
All Mining(1/1/80)	917.0	907.5	914.8	1118.40 8/5	803.80 13/12
Austria					
Credit Aktien(30/12/84)	379.99	379.64	378.13	394.99 31/5	349.19 6/9
Traded Index(2/1/91)	1125.76	1128.12	1124.58	1142.51 28/5	975.27 2/1
Belgium					
BEL20(1/1/91)	1861.39	1849.03	1860.19	1896.55 3/12	1574.90 2/1
Brazil					
Bovespa(29/12/83)	(u) 67846.0	66544.0	69471.00 5/12		40801.00 2/1
Canada					
Metals Minls(1975)	(u) 5094.75	5143.32	6624.88 8/5		4687.47 16/1
Composite(1975)	(u) 5710.20	5712.37	6018.65 28/11		4739.76 15/1
Portfolio§§(4/1/83)	(u) 2800.87	2807.52	3026.75 28/11		2327.39 12/1
Chile					
IGPA Gen(31/12/80)	(u) 4877.28	4906.70	6804.33 8/1		4877.28 17/12
Denmark					
CopenhagenSE(3/1/83)	460.95	459.89	461.38	463.78 10/12	388.40 2/1
Finland					
HEX General(28/12/90)	2414.91	2382.35	2411.75	2491.98 10/12	1651.87 10/1
France					
SBF 250(31/12/90)	1503.51	1490.75	1504.99	1570.25 3/12	1250.16 2/1
CAC 40(31/12/87)	2218.89	2193.70	2222.57	2349.11 3/12	1997.85 11/1
Germany					
FAZ Aktien(31/12/58)	979.49	973.96	982.38	1006.78 5/12	818.56 2/1
Commerzbank(1/12/53)	2853.80	2839.60	2864.20	2936.80 5/12	2370.10 2/1
DAX(30/12/87)	2820.76	2815.13	2855.79	2909.91 5/12	2284.86 2/1
Greece					
Athens SE(31/12/80)	924.79	917.00	907.68	1017.96 4/3	872.99 7/6
Hong Kong					
Hang Seng(31/7/64)	12765.00	12815.37	12937.49	13530.65 27/11	10204.87 2/1
India					
BSE Sens.(1979)	3001.24	2984.02	2958.65	4069.26 18/6	2745.06 4/12
Indonesia					
Jakarta Comp.(10/8/82)	626.45	623.80	623.61	634.57 9/12	512.48 2/1
Ireland					
ISEQ Overall(4/1/88)	2654.60	2631.08	2637.76	2700.04 4/10	2234.61 2/1
Italy					
Banca Comm Ital(1972)	651.58	646.81	643.83	674.10 20/5	572.21 27/3
MIB General(2/1/96)	1105.0	1097.0	1092.0	1142.00 20/5	970.00 27/3
Japan					
Nikkei 225(16/5/49)	20093.03	20413.46	20422.04	22666.80 26/6	19734.70 13/3
Nikkei 300(1/10/82)	283.96	287.42	286.64	319.70 26/6	283.96 18/12
Topix(4/1/68)	1498.48	1515.42	1511.96	1722.13 26/6	1498.48 18/12
2nd Section(4/1/68)	1893.31	1909.74	1912.49	2251.48 2/7	1893.31 18/12
Malaysia					
KLSE Comp.(4/4/86)	1191.89	1193.83	1197.30	1234.73 28/11	983.18 2/1
Mexico					
IPC(Nov 1978)	(u) 3253.97	3175.09	3403.75 27/8		2736.36 8/3
Netherland					
CBS TRtnGen(End 83)	713.3	706.7	710.1	730.20 3/12	539.50 2/1
CBS All Shr(End 83)	418.7	414.8	418.8	428.60 3/12	326.70 2/1
New Zealand					
Cap. 40(1/7/86)	2351.22	2353.71	2358.47	2393.82 5/12	2085.14 7/6
Norway					
Oslo SE(Ind)(2/1/83)	1568.33	1584.71	1587.51	1817.26 10/12	1259.68 30/1
Philippines					
Manila Comp(2/1/85)	3105.80	3093.21	3115.58	3374.40 5/7	2578.97 2/1
Portugal					
BML 30(4/1/93)	2134.18	2119.07	2122.59	2134.18 18/12	1882.81 2/1
Singapore					
SES All-S'pore(2/4/75)	530.05	532.35	536.16	610.37 5/2	503.78 21/10
South Africa					
JSE Gold(28/9/78)	(u) 1477.7¶		(c) 2098.40 29/5		1348.40 2/1
JSE Ind.(28/9/78)	(u) 7569.9¶		(c) 8739.30 25/1		7069.90 17/12
South Korea					
KoreaCompEx**(4/1/80)	661.39	663.35	673.92	986.84 7/5	661.39 18/12
Spain					
Madrid SE(30/12/85)	415.93	408.56	410.97	415.93 18/12	323.75 11/1
Sweden					
AffarsvaldsGen(1/2/37)	2328.3	2290.0	2316.4	2354.39 5/12	1768.80 22/1
Switzerland					
Swiss Bk Ind(31/12/58)	1838.31	1828.24	1836.29	1868.18 3/12	1618.19 17/1
SBC General(1/4/87)	1288.91	1292.47	1299.01	1315.63 3/12	1114.47 26/1
Taiwan					
WeightedPr.**(30/6/66)	6906.52	6853.57	6881.42	6982.81 2/12	4690.22 6/2
Thailand					
Bangkok SET(30/4/75)	853.82	867.23	872.76	1415.94 6/2	853.82 18/12
Turkey					
Istanbul Cmp.(Jan 1986)	94304.4	90395.9	87158.9	94407.20 6/12	38779.30 2/1
WORLD					
MS Capital Intl(1/1/70)	806.0*	805.9	808.3	832.20 25/11	725.90 15/1
CROSS-BORDER					
Eurotrack 100(26/10/90)	1853.83	1847.55	1854.49	1868.49 3/12	1504.40 11/1
Euro Top-100(26/6/90)	1568.98	1551.18	1581.57	1583.23 3/12	1333.81 11/1
HSBC JC Dngn(31/12/89)	(u) 402.89		408.77	420.20 27/11	344.19 2/1
ING Bngs Emrg(7/1/92)	156.50	154.89	155.68	185.91 4/7	147.36 2/1

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
CAC-40 (200 x Index)							
Dec	2214.0	2221.0	+25.5	2230.0	2208.0	11,780	22,055
Jan	2219.5	2225.5	+26.5	2233.0	2214.0	987	7,679
DAX							
Dec	2828.0	2814.0	+4.0	2829.5	2809.0	29,404	
Mar	2849.0	2835.5	+4.5	2851.0	2831.5	16,015	
OMX							
Dec	1794.00	1812.00	+35.00	1813.00	1792.25	8,209	14,917
Jan	1799.00	1817.75	+33.00	1819.50	1798.50	2,884	18,687
SOFFEX							
Dec	3868.0	3875.5	+27.8	3880.0	3861.0	6,498	15,353
Jan	3883.0	3881.0	+32.0	3886.0	3863.0	3,991	12,294

** Sat Dec 14: Taiwan Weighted Price 6889.19; Korea Comp Ex 667.34. Base values of all indices are 100 except Australia All Ordinary and Mining – 500; Austria Traded; BEL20, HEX Gen., MIB Gen., BML30, SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poors – 10. §§ ... Dec 18 - 2814.23 +6.73. † Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ¶ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¥ Subject to official recalculation.

US INDICES

Dow Jones	Dec 17	Dec 16	Dec 13	1996 High	1996 Low	Since compilation High	Since compilation Low
Industrials	6308.33	6268.35	6304.87	6547.79 (25/11)	5032.94 (10/1)	6547.79 (25/11/96)	41.22 (8/7/32)
Home Bonds	103.32	103.63	103.15	106.09 (14/2)	100.99 (15/7)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	2235.02	2218.68	2248.89	2316.47 (5/12)	1882.71 (18/1)	2316.47 (5/12/96)	13.23 (8/7/32)
Utilities	227.84	227.71	228.55	238.12 (25/11)	204.86 (30/7)	256.46 (31/8/93)	16.53 (8/7/32)

DJ Ind. Day's high 6354.46 (6388.68) Low 6206.83 (6227.96) (Theoretical¶)
Day's high 6324.88 (6365.61) Low 6236.05 (6243.36) (Actual¶)

Standard and Poors	Dec 17	Dec 16	Dec 13	1996 High	1996 Low	Since compilation High	Since compilation Low
Composite‡	726.04	721.00	728.64	757.03 (25/11)	598.48 (10/1)	757.03 (25/11/96)	4.40 (1/6/32)
Industrials¥	852.01	847.70	857.48	887.40 (2/12)	702.07 (15/1)	887.40 (2/12/96)	3.52 (30/6/32)
Financial	80.39	79.88	79.49	84.93 (29/11)	58.87 (10/1)	84.93 (29/11/96)	7.13 (4/9/74)
NYSE Comp.	392.77	390.85	394.07	398.86 (25/11)	321.41 (10/1)	398.86 (25/11/96)	4.84 (25/4/42)
Amex Mkt Val	570.31	572.57	576.06	614.99 (22/5)	525.80 (16/7)	614.99 (22/5/96)	29.13 (9/12/74)
NASDAQ Cmp	1266.32	1261.07	1284.91	1316.27 (9/12)	988.57 (15/1)	1316.27 (9/12/96)	54.87 (3/10/74)

RATIOS

	Dec 13	Dec 6	Nov 29	Year ago
Dow Jones Ind. Div. Yield	2.09	2.05	2.02	2.27
	Dec 11	Dec 4	Nov 27	Year ago
S & P Ind. Div. yield	1.88	1.89	1.81	1.95
S & P Ind. P/E ratio	23.04	23.05	23.30	19.08

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
Frontier	14,117,500	20⅝	-5¼
Micron	9,989,200	32¼	-1¾
Iomega	6,597,200	17⅜	+⅜
WalMart	5,345,500	23	-⅛
PepsiCo	4,682,600	29⅝	-⅜
Gen Elec	4,582,300	97⅞	+2¼
APT Sat	4,505,500	14	—
Compaq	4,316,800	72	-3⅜
AT&T	4,228,500	39	-⅛
IBM	4,019,300	151⅛	+3⅜

TRADING ACTIVITY

● Volume (million)	Dec 17	Dec 16	Dec 13
New York SE	519.835	447.584	454.475
Amex	19.804	18.882	20.072
NASDAQ	630.174	532.175	569.370
NYSE			
Issues Traded	3,336	3,332	3,294
Rises	1,249	880	1,050
Falls	1,244	1,666	1,435
Unchanged	843	786	809
New Highs	43	64	64
New Lows	89	67	54

	Open	Latest	Change	High	Low	Est. vol.	Open int.
S&P 500							
Dec	729.00	730.50	+4.15	730.50	729.00	24,206	79,071
Mar	727.95	737.40	+4.15	737.40	735.00	103,435	168,799

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Nikkei 225							
Mar	20400.0	20120.0	-280.0	20480.0	20100.0	22,054	206,855
Jun	20480.0	20200.0	-280.0	20480.0	20200.0	215	24,624

Open interest figures for previous day.

TOKYO - MOST ACTIVE STOCKS: Wednesday, December 18, 1996

	Stocks Traded	Closing Prices	Change on day
Nippon Credit Bk	10.1m	306	-1
Mitsubishi Heavy	6.1m	924	-13
Canon	5.1m	2360	-70
Takeda Chem Ind	4.8m	2300	-40
Sumitomo Mtl Ind	4.7m	302	-5
Hitachi	4.8m	1070	
Tokio M & F Ins	4.3m	1030	-40
Honda Motor	4.1m	3250	-20
Nichiha Corp	3.7m	2060	-30
Nippon Steel Cp	3.5m	340	-5

4 pm close December 18

NEW YORK STOCK EXCHANGE PRICES

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

Continued on next page

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NYSE PRICES

4 pm close December 18

1996 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
Continued from previous page										
8⅜	6⅝	SchwabA x	0.28	3.5	20	7	7⅝	7½	7½	-⅛
51⅛	37¾	SchervPP			32	1007	45	44⅛	44⅞	+⅝
73⅛	50½	SchPl	1.32	2.1	19	10841	65¼	63⅝	63⅞	-⅛
108¼	65⅞	Schlmb x	1.50	1.5	32	5458	102	100⅛	101¼	+1⅜
14½	8⅛	Schlt	0.12	1.2	10	436	10⅛	10	10	
32¼	18⅝	SchwabC	0.20	0.7	24	4438	30⅛	29½	30⅛	+1
33⅝	22¼	SchwMaud	0.60	1.8	16	65	32⅝	32¼	32¼	
28⅞	12	SciAtl x	0.06	0.4		4434	16⅛	15⅝	15¾	-¼
24⅞	17	Scotman	0.10	0.4	12	108	24	23¾	23⅞	-⅛
18⅛	12½	ScudderNAsf	0.02	0.2		183	12⅞	12¾	12¾	
14⅜	11	ScudderNEurF	0.05	0.4		323	13¾	13⅝	13¾	+⅛
20⅛	14¾	SeaCoA	0.77	4.8	23	602	16⅞	16	16⅞	+⅛
16	15	SeaC1.4625	1.46	9.2		8	15⅞	15½	15⅞	
42⅞	18	S'gate			30	17676	39¾	37⅛	39½	+2⅛
41¼	30⅞	Seagram	0.66	1.7		1151	38⅞	38⅜	38½	-⅛
28	17⅛	Seagull En			81	2731	22⅛	21½	21⅝	+⅛
44⅛	26	Sealed Air			26	380	41	40	41	+½
53⅞	38¼	SearsR x	0.92	2.1	15	12127	45¼	44⅜	44⅜	-½
21⅞	17	ScCpSSR$	1.30	6.8	15	419	20¾	20⅜	20⅝	
13	11⅞	Seligm Sel	0.31	2.5		101	12⅝	12⅜	12½	
23⅛	13⅝	Sensormat	0.22	1.2		3602	18⅝	17½	17⅞	-⅜
48½	29½	SequaA	0.60	1.5	41	104	40¼	38⅝	38¾	-⅜
53⅝	38	SequaB	0.50	1.0	51	7	48	48½	49	
31¾	19½	SvcCp	0.24	0.9	13	4428	27⅝	27	27¼	-¼
35⅝	19½	SvMstr	0.68	2.7	15	648	25⅞	25	25¼	
6½	4⅞	ServMerch			11	14979	5½	5	5	-½
[illegible]										

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1996. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. ds-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full. ‡ Dealings suspended.

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AMEX PRICES

4 pm close December 18

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

NASDAQ NATIONAL MARKET

4 pm close December 18

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
[illegible]							

Dow gains ground as techs rebound

AMERICAS

US shares were stronger at midsession as technology shares continued to rebound from the weakness seen through most of this month, *writes Lisa Bransten in New York.*

At 1 pm the Dow Jones Industrial Average was up 46.51 at 6,354.84 and the Standard & Poor's 500 added 6.66 at 732.70. NYSE volume came to 281m shares.

The technology-rich Nasdaq composite was the strongest performer of the major indices with a gain of 15.83 or 1.2 per cent at 1,282.15. The Pacific Stock Exchange technology index advanced 2.6 per cent.

Bonds offered some support to shares, holding flat ahead of an afternoon auction of two-year notes.

Computer manufacturers were especially strong. The Dow was led higher by a jump of $4¾ or 2.7 per cent at $156⅞ in IBM, which is one of the few technology issues on the 30-company index. Elsewhere, Compaq Computer jumped $5¼ or 7.3 per cent to $77⅛. Gateway 2000 climbed $4 or 7.3 per cent to $59, and Dell Computer added $2⅛ or 4.2 per cent at $55⅜.

Merger and acquisition news affected a number of shares. ADT, a home security company, added $2⅜ or 13 per cent at $22⅞ after Western Resources made a bid to buy the company for $22.50 per share in stock and cash. Western Resources shares were unchanged at $31¼.

The market welcomed news that American Home Products had agreed to buy the 40 per cent of Genetics Institute that it did not already own for more than $1.2bn or $85 a share. AHP's shares added $1⅛ at $60⅝ and Genetics Institute soared $22⅞ or 37 per cent to $84⅞.

Zenith Electronics, which is 55 per cent owned by Korea's Lucky Goldstar, shed $1⅛ or 13 per cent at $10⅞ on news that it planned to cut its US workforce by about 25 per cent and take a $25m restructuring charge in the fourth quarter.

Warner-Lambert added $2⅛ or 3.4 per cent at $76⅞ on news that the US Food and Drug Administration had given it approval to market its cholesterol-lowering drug in the US.

TORONTO, supported by early gains on Wall Street, moved ahead in a morning session of light trading. At noon, the TSE 300 composite index was up 8.19 at 5,728.39.

Conglomerates were the most positive component sector, driving ahead by 1.5 per cent helped by a 70 cents improvement to C$34.25 at Canadian Pacific.

LIMA dropped 1.5 per cent on news that leftist armed guerrillas were holding senior foreign diplomats among hostages at the Japanese ambassador's residence in the Peruvian capital. The general index fell 20.5 to 1,376.7 at midsession on worries about the effect of the tense stand-off on foreign investors' perceptions of the region.

SAO PAULO was 1.7 per cent higher at noon, led higher by a rally in telecommunications stocks after Tuesday's successful auction of a strategic stake in state controlled CRT telecommunications company. The Bovespa index stood 1,165 higher at 69,011.

Fragile S Africa sees buyers return

Buyers returned to Johannesburg, partly reversing Tuesday's heavy shake-out. But turnover was seasonally low and sentiment remained fragile.

At the close the overall index, off almost 100 points on Tuesday, had added 30.9 to 6,414.9 following a rise of 66.2 to 7,635.1 for the industrial index.

De Beers ended down R3 at R129 but South African Breweries recovered R1.50 to R110.

De Beers, which announced record rough diamond sales, suffered from the ending of a Russian diamond marketing agreement.

Golds had a better day, with the index improving 11.0 to 1,488.7.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms Dec 13 1996	% Change over week	% Change on Dec '95	Local currency terms Dec 13 1996	% Change over week	% Change on Dec '95
Latin America	(250)	644.36	-2.8	+11.8			
Argentina	(31)	1,209.10	-3.4	+12.3	741,542.80	-3.4	-3.4
Brazil	(66)	489.49	-2.7	+26.8	1,902.38	-2.3	-2.3
Chile	(45)	940.78	-2.1	-13.8	1,590.87	-1.6	-1.6
Colombia	(14)	734.93	-1.5	+8.0	1,300.41	-1.2	-1.2
Mexico	(64)	575.58	-3.3	+12.2	1,966.24	-3.4	-3.4
Peru	(19)	205.71	-2.6	+0.5	324.78	-2.6	-2.6
Venezuela	(9)	799.41	-0.6	+109.5	8,694.37	-0.4	-0.4
Asia	(711)	293.31	-0.6	+8.6			
China	(27)	80.10	+1.5	+37.5	83.94	+1.5	+37.1
South Korea	(156)	84.84	-4.1	-38.1	94.04	-2.7	-30.5
Philippines	(42)	314.10	-0.6	+13.3	399.08	-0.7	+13.6
Taiwan, China	(90)	162.45	-0.1	+36.6	167.66	-0.1	+37.7
India	(79)	77.57	+1.4	-7.1	98.83	+1.6	-5.3
Indonesia	(49)	137.26	-1.3	+16.6	175.45	-1.2	+20.0
Malaysia	(146)	386.66	-0.3	+21.1	360.10	-0.2	+20.4
Pakistan	(28)	248.60	-3.4	-11.3	454.26	-3.4	+4.3
Sri Lanka	(5)	102.02	-2.7	-5.9	126.32	-2.7	+0.3
Thailand	(87)	294.85	-0.2	-35.2	299.08	-0.1	-34.2
Euro/Mid East	(264)	177.82	-3.1	-8.2			
Czech Rep	(7)	65.46	+0.2	+8.4	59.38	+0.2	+11.0
Greece	(54)	375.84	-0.7	+4.2	622.44	-0.2	+7.7
Hungary	(12)	202.18	+3.8	+89.3	386.18	+4.0	+121.1
Jordan	(7)	238.64	-0.6	+4.2	356.80	-0.6	+4.3
Poland	(30)	764.73	+1.5	+69.7	1,373.86	+1.7	+96.3
Portugal	(28)	177.82	+0.9	+26.8	190.94	+1.3	+32.6
South Africa	(63)	220.33	-3.7	-20.7	215.35	-2.3	+2.9
Turkey	(56)	200.89	-7.5	+44.1	9,895.55	-6.2	+148.2
Zimbabwe	(5)	511.02	+2.2	+89.4	809.60	+2.2	+95.5
Composite	(1225)	349.05	-1.8	+5.9			

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: [illegible]

Shares in Seoul moved lower for the sixth day running, extending their declines to more than 30 per cent since the peaks of early May, *writes Jeffrey Brown.*

The composite index, which came off 1.96 to 661.39 yesterday, is now at its lowest level for 45 months after what many commentators describe as a prolonged bout of heavy and persistent selling.

Essentially, South Korea's mounting economic woes have scared off investors. The trade gap is widening and corporate earnings are visibly sluggish.

Attempts by the government to open up business to outside competition have coincided with a clear downswing for the mainstay of the economy, electronics, which account for 40 per cent of national output according to some estimates.

The won has depreciated sharply this year, but company earnings remain depressed and the currency ills have given foreign investors a further incentive to reduce their portfolio weightings.

The trade deficit is forecast to approach the equivalent of $20bn this year, almost double the 1995 deficit. Semiconductor exports, which were forecast to rise to more than $30bn, look like ending 1996 at less than $20bn.

There have been a number of official attempts to bolster stock market sentiment, notably through easing the cost of margin trading loans, and there have been occasional glimmerings of bargain-hunting in recent sessions.

But most analysts take a pessimistic line. "We don't expect any real recovery until the second half of next year", said one leading trader.

Bid fever engulfs Paris, Stockholm

EUROPE

Bowled along by a fresh outbreak of takeover fever, PARIS staged one of the day's stronger performances with the CAC 40 closing 25.19 or 1.15 per cent higher at 2,218.89.

LVMH surged more than 8 per cent following an upbeat assessment of the DFS acquisition, and there was speculative buying of Credit National which ended more than 7 per cent ahead.

LVMH, which is paying $2.47bn for 59 per cent of DFS, expected the takeover of the US duty free goods group to boost operating profits by around 30 per cent and lift sales by close to 50 per cent. Its shares shot ahead in thin seasonal volume, closing just short of their day's high at FFr1,347, up FFr104.

Credit National was almost 10 per cent higher at one stage following a press report of a bid in the offing. The shares ended up FFr21.20 or 7.5 per cent at FFr303.80 after the bank said it had no knowledge of plans by long term shareholders to sell their stakes.

Usinor Sacilor came off 60 centimes to FFr75.40 after a broker earnings downgrade on steel price worries. Cheuvreux de Virieux cut its 1997 earnings estimate to FFr9 a share from FFr12.30.

STOCKHOLM, too, was a hotbed of merger rumours. Ericsson, linked airily with Nokia of Finland, benefited doubly from this and the techs rebound in New York, the B shares climbing SKr9.50 to SKr206.

The Affärsvärlden General index led Europe with a gain of 38.3 or 1.7 per cent at 2,328.3. Apart from Ericsson, there was bid talk linking S-E-Banken and Nordbanken, which put on another SKr9 at SKr219, while the successful Handelsbanken acquisition of Stadshypotek left the bidder SKr8.50 higher at SKr198.50.

HELSINKI, meanwhile, saw Nokia A FM7 higher at FM255. With forestries firmer, the Hex index rose 32.55 or 1.4 per cent to 2,414.91. Domestic brokers dismissed the Ericsson rumours which, they said, came from London.

FRANKFURT's blue chips were mixed, and its overall performance nondescript. Both the dollar and bonds offered equities a decent foundation, but the Dax index closed just 5.73 higher at an Ibis indicated 2,814.23.

Turnover was DM9.2bn. Commerzbank led the individual activity charts in DM624m as its shares rose another 68 pfg to DM39.12, up 26 per cent up over the past six months and 15 per cent better since the end of October, as old merger stories were brushed up again.

FTSE Actuaries Share Indices

Dec 18 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FTSE Eurotrack 100	1852.25	1853.03	1853.26	1853.87	1853.74	1853.51	1855.34	1855.83
FTSE Eurotrack 200	1907.53	1908.67	1910.92	1913.67	1913.00	1913.69	1914.00	1915.42

	Dec 17	Dec 16	Dec 13	Dec 12	Dec 11
FTSE Eurotrack 100	1847.55	1854.49	1832.24	1855.86	1854.05
FTSE Eurotrack 200	1898.43	1899.66	1879.95	1900.22	1896.59

Base value 1000 (26/10/90). High/day: 100 - 1856.22 200 - 1916.21 Low/day: 100 - 1851.83 200 - 1907.17 † Partial. © FTSE International Limited 1996. All rights reserved

However, the better stories came further down the size scale: Gehe, the pharmaceuticals wholesaler, climbed DM3.60 or 3.9 per cent to DM96.80 after it announced a bonus dividend to reflect the sale of its pharmaceutical products side; and Krupp-Hoesch, the engineering and steel group, defied weakness elsewhere in the sector, gaining DM10 or 4.1 per cent at DM252 on its plans to cut 2,200 jobs over the next three years.

AMSTERDAM, using a solid bond market as a springboard, pushed ahead and at the close the AEX index was up 5.49 at 618.43 after a session of subdued volume.

PolyGram, the music offshoot of the Philips electronics giant, was the day's top mover, adding Fl 2.80 or 3.6 per cent to Fl 80 on what dealers saw as a technical rebound.

Royal Dutch added Fl 3.10 to Fl 291.50 on the firm dollar and higher oil prices.

ZURICH was helped ahead by dollar strength and a rise in Roche certificates on switching from Ciba and Sandoz, after Tuesday's US regulatory approval of their merger into Novartis. The SMI index rose 23.6 to 3,874.

Roche certificates added SFr70 to SFr10,070. Ciba slid SFr2 to SFr1,623 and Sandoz rose SFr3 to SFr1,525, as some concern emerged over Novartis' future restructuring and tax bills.

Swissair remained on an upward trajectory, adding SFr19 to SFr1,087 ahead of today's press conference which was expected to bring news that the company planned to separate some of its catering business from its airline operations.

Dollar strength took Nestlé SFr29 higher to SFr1,418 and ABB gained SFr6 to SFr1,617. Baloise lost another SFr60 to SFr2,700 as speculative fever subsided after the company's restructuring announcement.

Shares in Biber, the troubled paper group, crashed to 30 centimes from an opening SFr4.90 after its announcement that it would initiate bankruptcy proceedings after the sale of two paper mills.

MILAN was driven higher by the strength of neighbouring markets and Wall Street, taking the Comit index 4.77 ahead to 651.58.

Stet rose L206 to L6,640 and Telecom Italia was L129 higher at L3,742; analysts attributed the rise to the proposed merger of the companies and their eventual privatisation.

MADRID hit a record high with the general index 6.37 or 1.6 per cent higher at 415.93, in heavy turnover of Pta77bn. Banks rose 1.9 per cent and electrical utilities 1.6 per cent. However the bond market, which influenced both, lost its own gains by the end of the day, brokers saying that the recent bonds rally had been overdone, and that profits should be taken.

Other all-time highs were seen in LISBON and BUDAPEST. Portuguese equities took little notice of a slight cut in interest rates, but the BVL 30 index gained 15.11 at 2,134.18. In Hungary, the Bux index registered its fifth successive peak, 36.64 higher at 3,899.75 in near-record turnover of Ft3.405bn.

Written and edited by William Cochrane, Michael Morgan and Jeffrey Brown

Crestfallen Tokyo takes 1.6% tumble

ASIA PACIFIC

Profit taking in international blue chips combined with heavier selling of non-life insurance issues, in response to last weekend's US-Japan agreement on deregulation of Japan's market, and TOKYO dropped by 1.6 per cent, *writes Gwen Robinson.*

The Nikkei 225 average fell 320.43, closing at the day's low of 20,093.03 after an intra-day high of 20,415.95. The market had expected an infusion of fresh funds, following Monday's reallocation by pension funds of money to fund managers, but it was disappointed and scores of issues fell to new lows for the year.

The Topix index of all first-section stocks fell 16.94 to 1,498.48 and the capital-weighted Nikkei 300 by 3.44 at 283.98. Volume edged up from 341m shares to an estimated 343m. Declines led advances by 873 to 221, with 165 unchanged.

In London, the ISE/Nikkei 50 index added 2.34 to 1425.49.

Non-life insurers dropped by more than 3 per cent on concerns that Japan's agreement to open up the non-life insurance market to foreign competitors would hurt domestic companies. Tokio Marine and Fire fell Y40 to Y1,030. Mitsui Marine and Fire by Y31 to Y577 and Yasuda Fire and Marine by Y27 to Y593.

Yaohan Japan, a regional supermarket operator, continued to slide, falling Y26 to Y415 following its announcement Monday of an extensive restructuring programme entailing the sale of some assets.

Among blue chips, Sony shed Y120 to Y7,340, Fuji Photo Film Y130 to Y360 and Canon Y70 to Y2,360.

High technology stocks also retreated, with Fujitsu down Y30 to Y1,050 and Toshiba by Y13 to Y731.

By contrast Oriental Land, the operator of Tokyo Disneyland, broke out of its downward trend after performing poorly since its listing on the Tokyo exchange last week, adding Y40 to Y8,140.

In Osaka, the OSE average fell 218.28 to 20,474.29 in volume of 51.5m shares.

BANGKOK closed at a 41-month low on steady foreign selling. The SET index came off 13.41 or 1.55 per cent to 853.82 after another session of subdued volume.

A bit of a scare story at Krung Thai Bank and an overnight arson attack on a Sanyo Thai factory combined with little confidence in Tuesday's economic policy statement from the government to sap sentiment, said one broker.

Krung Thai came off Bt3.50 to Bt56 following talk of possible employee unrest over a rumoured reduction in year-end bonuses.

SYDNEY moved higher, helped by the overnight gains on Wall Street. The All Ordinaries index added 7.9 at 2,323.7.

BHP stood out against the uptrend, dipping 1 cent to A$16.93 ahead of tomorrow's results and hampered by copper price weakness. Coca Cola-Amatil tumbled 28 cents to A$12.62, its lowest levels since April, in response to the group's profits warning.

HONG KONG closed lower following sharp declines in late Tokyo trading. The Hang Seng index was off 49.35 at 12,766.02 after another session of dull volume.

Among property developers, Cheung Kong fell 50 cents to HK$64.00 and Sun Hung Kai Properties 25 cents to HK$90.75.

Bank of East Asia lost 70 cents to HK$33.00 in volume of 8.7m amid continued concerns about residential mortgages.

Among conglomerates, Wharf shed 90 cents to HK$36.70 and Citic Pacific lost 30 cents to HK$40.10.

APT Satellite made a steady debut, ending at HK$13.50 in 12.18m shares traded. The stock was floated at HK$13.40.

SHENZHEN ended five days of rapid decline with a strong rally for both A and B shares in improved activity. Turnover in the B shares, available to foreign investors, more than doubled to HK$3,004m. The B index closed 10 per cent limit up at 133.8 and the A index ended 4.4 per cent better at 391.92.

SHANGHAI B shares gained 5.754 or 9.84 per cent to 64.252 and the A index put on 69.525 to 1,016.241.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	TUESDAY DECEMBER 17 1996 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY DECEMBER 16 1996 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (76)	211.32	-0.7	187.29	151.96	169.78	176.67	-1.1	4.34	212.86	189.89	153.46	171.90	178.59	224.61	187.53	190.61
Austria (24)	187.30	0.5	166.01	134.69	150.49	150.41	-0.1	1.90	186.44	166.32	134.41	150.57	150.49	195.04	168.36	172.39
Belgium (27)	222.18	0.1	196.91	159.77	178.51	174.55	-0.4	3.82	221.93	197.98	160.00	179.23	175.28	229.11	203.64	206.18
Brazil (28)	182.89	2.2	162.09	131.52	146.94	350.48	2.4	1.75	178.98	159.66	129.09	144.54	342.32	189.70	131.21	135.33
Canada (115)	182.59	-0.4	161.83	131.31	146.70	180.84	-0.2	2.02	183.29	163.50	132.13	148.02	181.28	196.24	144.35	146.27
Denmark (30)	336.03	-0.5	297.82	241.65	269.98	270.31	-0.9	1.70	337.61	301.17	243.39	272.65	272.87	340.41	281.10	286.61
Finland (24)	232.86	-1.2	206.38	167.45	187.09	225.62	-1.6	2.22	235.64	210.21	169.88	190.30	229.88	244.11	171.73	177.96
France (93)	203.73	-0.5	180.56	146.51	163.68	166.69	-1.1	2.93	204.98	182.86	147.77	165.54	168.56	212.49	172.05	175.70
Germany (58)	184.99	-0.8	163.95	133.03	148.63	148.63	-1.3	1.63	186.41	166.29	134.39	150.54	150.54	189.86	161.25	163.19
Hong Kong (59)	488.39	-0.8	432.85	351.21	392.39	485.15	-0.8	3.21	492.22	439.10	354.85	397.51	488.84	513.18	372.58	377.37
Indonesia (27)	222.21	0.1	196.95	159.80	178.53	320.73	0.1	1.61	221.90	197.95	159.97	179.21	320.31	-	-	-
Ireland (16)	312.76	0.3	277.21	224.93	251.30	264.61	0.1	3.46	311.74	278.09	224.74	251.76	264.34	321.14	250.17	254.40
Italy (58)	80.86	0.3	71.67	58.15	64.97	91.98	-0.2	2.26	80.61	71.91	58.12	65.10	92.14	84.53	69.68	72.30
Japan (480)	135.31	0.6	119.92	97.30	108.71	97.30	0.3	0.79	134.54	120.02	96.99	108.65	96.99	164.68	133.80	151.89
Malaysia (107)	582.02	-0.4	515.84	418.54	467.61	565.88	-0.5	1.10	584.23	521.17	421.19	471.82	568.53	607.65	477.30	484.33
Mexico (27)	1176.81	2.5	1042.99	846.27	945.48	10136.31	2.5	1.09	1147.96	1024.06	827.59	927.08	9885.96	1325.65	971.65	980.84
Netherland (19)	316.86	0.2	280.83	227.86	254.58	250.79	-0.4	2.95	316.33	282.19	228.05	255.46	251.69	328.12	265.24	266.96
New Zealand (15)	92.21	1.1	81.72	66.31	74.08	69.12	-0.2	3.99	91.23	81.39	65.77	73.68	69.23	94.40	75.94	77.77
Norway (35)	277.82	-1.1	246.22	199.78	223.21	243.13	-1.6	2.08	280.80	250.49	202.44	226.77	247.04	286.15	222.24	227.47
Philippines (22)	197.40	-1.3	174.95	141.95	158.60	258.63	-1.3	0.84	199.92	178.34	144.13	161.45	261.93	-	-	-
Singapore (43)	412.89	-0.6	305.94	296.82	331.73	266.44	-0.7	1.04	415.53	370.68	299.57	335.58	268.22	465.21	371.28	386.32
South Africa (44)	301.49	-1.9	267.21	216.81	242.23	311.00	-1.9	2.53	307.23	274.07	221.49	248.11	316.71	437.76	301.49	384.72
Spain (37)	202.72	0.1	179.67	145.78	162.87	199.64	-0.3	2.99	202.45	180.60	145.95	163.50	200.42	202.72	159.66	160.42
Sweden (48)	402.43	-1.3	356.66	289.39	323.32	406.40	-1.4	2.10	407.80	363.78	293.99	329.33	412.27	416.67	294.18	303.18
Switzerland (37)	237.30	0.0	210.32	170.65	190.66	194.24	-0.5	1.53	237.24	211.63	171.03	191.59	195.17	254.34	219.29	232.04
Thailand (45)	107.08	-1.0	94.91	77.01	86.04	106.36	-1.1	3.23	108.19	96.51	77.99	87.37	107.53	193.95	107.09	164.86
United Kingdom (213)	267.64	0.3	237.20	192.46	215.03	237.20	-0.4	4.01	266.87	238.07	192.39	215.52	238.07	273.88	222.43	225.61
USA (623)	295.42	0.7	261.82	212.44	237.35	295.42	0.7	2.03	293.43	261.76	211.54	236.97	293.43	307.82	243.34	260.98
Americas (793)	270.00	0.7	239.29	194.16	216.92	227.18	0.7	2.02	268.24	239.29	193.39	216.62	225.66	281.50	222.53	228.52
Europe (720)	229.05	-0.1	203.01	164.72	184.03	197.04	-0.7	2.84	229.32	204.57	165.32	185.20	198.33	234.56	194.31	197.15
Nordic (137)	345.30	-1.1	306.04	248.32	277.43	303.85	-1.4	2.05	349.30	311.60	251.82	282.09	308.15	355.51	261.13	268.58
Pacific Basin (874)	152.84	0.3	135.46	109.91	122.80	110.91	0.1	1.27	152.40	135.95	109.87	123.07	110.84	177.01	151.45	162.20
Euro-Pacific (1594)	184.50	0.1	163.52	132.68	148.23	143.39	-0.3	2.14	184.35	164.45	132.90	148.88	143.83	191.51	175.04	176.66
North America (738)	288.60	0.6	255.78	207.54	231.87	287.87	0.6	2.03	286.81	255.85	206.76	231.62	286.07	301.15	237.55	244.52
Europe Ex. UK (507)	203.64	-0.4	180.48	146.44	163.61	172.39	-0.8	2.31	204.37	182.31	147.33	165.04	173.82	209.70	174.81	177.39
Pacific Ex. Japan (394)	304.76	-0.6	270.11	219.16	244.86	282.85	-0.8	2.84	306.68	273.54	221.06	247.63	284.83	317.82	257.81	261.29
World Ex. US (1808)	186.20	0.1	165.02	133.90	149.60	148.45	-0.3	2.13	186.08	165.99	134.15	150.27	148.88	193.47	176.03	177.60
World Ex. UK (2218)	216.05	0.3	191.48	155.37	173.58	185.95	0.2	1.87	215.32	192.08	155.23	173.89	185.60	224.89	196.13	197.58
World Ex. Japan (1951)	265.25	0.3	235.09	190.75	213.11	250.07	0.1	2.39	264.51	235.96	190.69	213.62	249.84	274.88	224.52	227.19
The World Index (2431)	220.46	0.3	195.39	158.54	177.13	190.67	0.1	2.09	219.73	196.01	158.41	177.45	190.40	226.87	196.47	200.06

CONSTITUENT CHANGE WITH EFFECT 19/12/96: Deletion: Wilson & Horton (New Zealand). Latest prices were unavailable for this edition.